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NEWS SUMMARY

GENERAL

Thorn attacks 'greedy Britain'

EEC President Gaston Thorn accused Britain of national egoism and greed, in a West German radio interview.

He said British greed in claiming as much as, if not more than, it put into the EEC budget showed no solidarity and endangered the Community.

Earthquake hurts 80 in Japan

An underwater earthquake — 7.3 on the Richter scale — off Hokkaido, Japan, caused tidal waves injuring 80. In Italy strong tremors caused panic in towns hit by the massive 1980 earthquake. In Mount St Helens, Washington State, scientists warned that volcanic activity could persist for several days.

West Bank clash

Five were wounded when Israeli troops fired shots to break up demonstrations by Palestinians protesting at Israeli occupation measures in the West Bank. Page 2

Walesa absent

Poland's military authorities kept interned Solidarity leader Lech Walesa away from his baby daughter's christening and screened a TV programme criticising his free trade union.

Zimbabwe call-up

Zimbabwe Premier Robert Mugabe said all able men in the country would undergo military training by the end of the year.

Ban welcomed

The Test ban on English players touring South Africa was welcomed by the secretary of India's Cricket Board of Control. He forecast the Indian tour of England would go ahead.

SDP has edge

Roy Jenkins, for the SDP-Liberal Alliance, edged ahead of Conservative and Labour candidates in the final approach to Thursday's Glasgow Hillhead by-election, according to an opinion poll. Back Page

Heseltine search

Environment Secretary Michael Heseltine is searching for a black adviser to brief him on problems facing blacks who want to start businesses in inner city areas. Back Page

Cosmic inquiry

The U.S. Columbia space shuttle is due to blast off today. It will include a British experiment which will examine cosmic dust in an effort to explain the solar system's history. Page 2

Heath's attack

Former Premier Edward Heath said society was too concerned with money for its own sake and the amount of interest it could earn when invested.

Animals 'rescued'

Animal liberation supporters broke into a breeding centre in Frant, Sussex, and snatched guinea pigs they say were destined for vivisection.

MP pipes up

Pipe-smoking MP Keith Stainton protested to British Rail over its decision to ban smoking in its restaurant and buffet cars.

Briefly . . .

World Champion Nelson Piquet won the Brazilian Grand Prix.

Fossils, including the first bones of a land mammal ever found in Antarctica, were discovered by scientists.

Ayatollah Khomeini, Iran's 81-year-old leader, cancelled engagements for 11 days.

BUSINESS

Russians in £300m steel mill contract

● VOEST-ALPINE, Austrian state-owned engineering group, signed a Sch 9bn (£299.5m) contract with the Soviet Union for a steel mill designed to convert scrap metal into 750,000 tonnes of steel a year. Back Page

● WASHINGTON is expected to decide this week on trade sanctions against Japan Air Lines, after the U.S. and Japan failed to agree on civil aviation rights. Back Page

● HONG KONG reached a six-year agreement on textile and garment exports to the U.S. Page 3

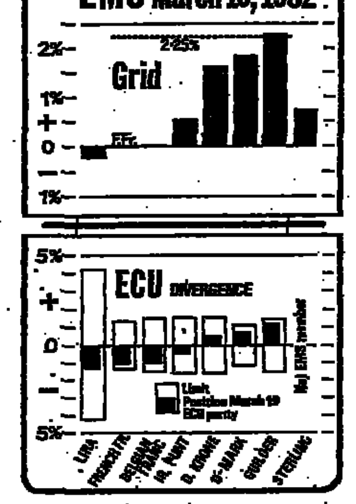
● THOROUGH reforms of insolvency law are recommended in the final report of the Cork Committee to Trade Secretary John Biffen. Page 4

● SIZEWELL B nuclear station management and purchasing policies are likely to include some novel and controversial decisions, with a limited role for the National Nuclear Corporation. Back Page

● BAD WEATHER in December and January cost UK insurance companies at least £200m, the British Insurance Association said. Page 4

● BL's board approved investment of "several million pounds" in a Leyland light truck range to be assembled in Leyland, Lancs. Page 4

● PRESSURE increased on the weaker currencies in the European Monetary System last week. The French franc fell sharply, reflecting growing economic problems, and the Bank of France increased domestic rates to their highest level since last October as well as intervening directly in the foreign exchange market to support the franc. The Belgian franc was also weak, as was the Italian lira, and a reduction in interest rates by the stronger member currencies was seen as a concerted move to relieve renewed pressure so soon after last month's currency reshuffle. The Bundesbank cut its special Lombard rates by half a point, and similar reductions in the Dutch and Swiss discount rates followed. The guilder remained the strongest member, followed by the fast improving D-mark, while the lira was the weakest currency. Leading article, Page 20



The chart shows the two constraints on European Monetary System exchange rates. The upper grid based on the weakest currency in the system defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from the "central rate" against the European Currency Unit (ECU) itself a basket of European currencies.

● ASSOCIATED Communications Corporation directors will today consider the position of Mr Robert Holmes à Court as group chairman and initiate appeal court moves over his takeover bid. Page 22

Opec sets ceiling on production in effort to halt price slide

BY RICHARD JOHNS IN VIENNA

THE Organisation of Petroleum Exporting Countries has for the first time agreed on a production ceiling in an attempt to halt the slide in prices.

It has set an effective upper limit of 17.5m barrels a day.

Saudi Arabia has decided to cut its own ceiling to 7m b/d, although this is not reflected in the official Opec announcement, which refers to an overall production limit of 18m b/d.

Sheikh Ahmed Zaki Yamani, the Saudi Minister of Oil, said before leaving Vienna that he hoped the "freeze" of the $34 a barrel reference price "will continue until the end of 1983."

After that he thought Opec should start gradually to increase prices a little.

Meanwhile Saudi Arabia would watch market trends closely. If there was any upward pressure on prices, Sheikh Yamani thought Saudi Arabia would again increase production to 7.5m b/d.

Opec also decided at the weekend to set a maximum differential for premium North African crudes of $1.50 — meaning that top quality varieties produced by Nigeria, Algeria and Libya should fall to $35.50, compared with official rates of $36.50 to $37.50 now notionally in force.

Officially, Saudi Arabia was not a party to the agreement reached by all other members — with the important and possibly disruptive exception of Iran — to set a limit of 18m barrels a day for the second quarter and allocate shares of the total.

The 18m b/d ceiling, which compares with an output of more than 31m b/d in 1973, was referred to in the official communique, which said it would be reviewed at the next ordinary conference planned to begin in Quito, Ecuador, on May 28.

Sheikh Ali Khalifa al-Sabah, Kuwaiti Minister of Oil, said: "What we have done here is to protect the [Opec reference] price, but that does not ignore the fact that prices went up too sharply [in 1979-80]."

But Mr Mohammed Gharazi, Iranian Minister of Oil, said at the weekend that his Government intended to increase exports to 1.7m b/d to satisfy its

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Mr James Edwards, the U.S. Energy Secretary, said yesterday that he thought the oil market would "continue to fall somewhat," in spite of the Opec production cuts.

U.S. oil imports, at 3.7m barrels a day, were at their lowest level in ten years in the past week, he said, and demand was 21 per cent down on the same period of 1979—largely owing to conservation measures.

When the U.S. economy began to recover, Mr Edwards said, he expected to see 10m large cars replaced by more fuel-efficient vehicles annually.

OPEC OIL PRODUCTION AGREEMENT

	New estimated maximum output (b/d)	Estimated production in early March* (b/d)
Algeria	650,000	700,000†
Ecuador	200,000	200,000
Gabon	150,000	150,000
Indonesia	1,300,000	1,450,000
Iran	1,200,000	1,200,000
Iraq	1,200,000	1,200,000
Kuwait‡	650,000	775,000
Libya	750,000	600,000
Nigeria	1,300,000	1,300,000
Qatar	300,000	350,000
Saudi Arabia	7,000,000	7,325,000
United Arab Emirates	1,000,000	1,250,000
Venezuela	1,500,000	1,700,000
Neutral zone‡	300,000	250,000

* Source: Middle East Economic Survey. † Including condensates. ‡ Production shared equally between Saudi Arabia and Kuwait which has been allocated 300,000 b/d compared with an estimated rate of 250,000 b/d in early March.

Lower Saxony election blow for Schmidt

BY JONATHAN CARR IN BONN

WEST GERMAN Chancellor Helmut Schmidt's Social Democrat Party suffered an electoral setback yesterday, plunging to its worst voting result in the State of Lower Saxony for more than two decades.

The protest party called The Greens scored another in its line of provincial election successes, and will be represented in the Lower Saxony State Parliament for the first time.

These developments—with a separate decision this weekend to found a new party to the left of the SPD—indicates that the West German party political landscape of the centre-left is in a state of flux.

In one way the Lower Saxony election—the first provincial parliament poll since the General Election of October 1980—almost confirmed the status quo of governmental power in the State.

The Christian Democrats, who already formed the Lower Saxon Government although they are in opposition at Federal level in Bonn, were confirmed in office.

They gained an absolute majority of just over 50 per cent of the vote—about 2 per cent more than they won in the last state poll four years ago. This will be a boost to Dr Ernst Albrecht, the state Premier, in his hopes of becoming Chancellor in Bonn.

However, the CDU's success does not explain the collapse of the SPD—which fell to only 36 per cent of the vote compared with 42.2 per cent before. This is a worse fall than the party pessimists had feared.

In contrast, the "Greens"—who began as an ecological party but who now join in protest on broader social and national security issues — jumped to 6.9 per cent of the vote compared with only 3.9 per cent four years ago.

They thus clear the hurdle of 5 per cent voter support needed for parliamentary representation, and have seats in three West German provincial state legislatures.

The Liberal Free Democrat Party — the junior partner in Herr Schmidt's coalition in Bonn—gained about 6 per cent of the vote.

As the polling in Lower Saxony was beginning, two former parliamentary members of the SPD announced at a congress in the Ruhr that they planned to set up a new Left-wing party called Democratic Socialists. Various protest groups have already pledged support.

The Lower Saxony result does not change the balance of power in Bonn. But it does indicate that the SPD-SDP Alliance br[illegible] nearly 13 years ago is be[illegible] ing increasingly fragile.

Laker abandons plans for a 'people's airline'

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

SIR FREDDIE LAKER has abandoned—at least for the time being—plans to set up a "people's airline."

Instead, he is going into business as an aviation consultant in partnership with Lonrho. They have set up a joint company, Sir Freddie Laker Ltd, with a capital of £10,000, of which Sir Freddie is putting up £5,000.

The company will start work immediately, handling a range of aviation business, from aircraft leasing to business travel. It may later promote charter flights. It will be based at Lonrho's City offices.

Sir Freddie's original plans to get back into the airline business after the collapse of Laker Airways have been dropped for the immediate future. He has sold the Civil Aviation Authority he is withdrawing applications to transfer the former Laker Airways route licences to another company, Brenpage, which he set up when Laker Airways collapsed early in February.

This does not mean that other airlines, such as British Caledonian an Dan-Air, will have a smoother passage in trying to take over the former Laker licences on the North Atlantic an European routes.

Those airlines must proceed with their own individual applications for licences. There are so many of these that the public hearings already set by the Civil Aviation Authority to start on May 4 will go ahead. They promise to be long and vigorously if not bitterly fought. At least seven airlines are involved, and these are objections and counter-applications from other airlines and outside parties, including some individuals who are creditors of Laker Airways.

Sir Freddie had originally thought of getting back into the air by April. But the statutory licensing procedures, which the Civil Aviation Authority has insisted it must adhere to, made it obvious that a more likely starting date for a new people's airline would be mid to late summer.

By then, however, the peak travel season would have been in full flood with most passengers booked on other airlines. Any Laker operation would have been started at a strong disadvantage — a "rewardless exercise which could not be a financial success," Sir Freddie said at the weekend.

Sir Freddie's view all along has been that winning the route licences was the most important single step towards getting any airline off the ground. Raising the cash was "not a problem."

But the Civil Aviation Authority has equally strongly made it clear all along that in addition to the route licences, any Laker airline would need an

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World Bank to issue bulldog bond

By Alan Friedman

THE WORLD BANK is expected to return to the UK sterling bond market today with a £100m five-year issue through Baring Brothers.

The final pricing of the bond will be decided today and the coupon paid is likely to be based on the 13½ per cent partly paid Treasury stock which matures in 1987.

This will be the second time the World Bank has tapped what is known as the bulldog market—the domestic sterling bond sector open to foreign borrowers. The World Bank last year raised £100m through a 13½ per cent bulldog issue maturing in 1986.

Today's World Bank issue is expected to carry a 14½ per cent coupon at a price slightly below par. The borrower has sovereign status under Bank of England rules and is one of the few whose paper can be purchased by UK building societies and trustee savings banks.

The World Bank is returning to the sterling market because of the availability of funds and because of its need to tap as many markets as possible this year.

French left heads for setback in cantonal poll

BY DAVID HOUSEGO IN PARIS

FRANCE'S Socialist-led coalition seemed to be heading for a further electoral setback as the early results in the second round of voting in the cantonal elections emerged last night.

Computer forecasts suggested that the combined left-wing parties were doing less well than in the first round last week when they won 49.59 per cent of the vote. They scored 52.50 per cent when the same seats were last contested in 1976.

In the legislative elections of June last year the left took an exceptional 55 per cent of the vote.

Among prominent Socialists defeated in the second round was M George Fillioud, the Minister of Communications, who has been at the centre of controversy over the quality of television programmes.

Prominent Socialists to win included Mme Edith Cresson, the Minister of Agriculture, and M Jean Auroux, Minister of Labour.

Reflecting the importance of the vote as a test of the Government's standing, turn-out yesterday was about 69 per cent—marginally above last week's which itself was a post-war record for cantonal elections. Politicians of left and right have made major efforts during the week to mobilise their supporters.

Reflecting the Government's disappointment at last weekend's first-round result, President Francois Mitterrand was unofficially reported to have described it as a "setback" and a "warning."

Among the factors that came

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Moves to speed cable television development expected today

BY GUY DE JONQUIERES

THE GOVERNMENT plans to announce moves today to speed the development of cable television. But it appears still to be hesitating about a much more ambitious plan to stimulate massive investment in modernising Britain's communications network.

The Government is expected to announce that it is setting up a committee to report on the likely implications of allowing cable systems to widen their activities beyond the transmission of normal BBC and commercial television broadcasts.

The Industry Department had hoped to publish the outlines of a strategy which includes proposals to restructure British Telecom and to involve outside investors in a scheme to rewire the entire country at an estimated cost of £25bn in the next 20 years.

But the proposals, part of a discussion paper on future telecommunications policy, are being resisted elsewhere in Whitehall, where they are regarded as too risky and ambitious. The timetable for publishing them is now uncertain.

Instead, the Government is expected to base its decisions today on a report prepared by the Prime Minister's Information Technology Advisory Panel, which focuses only on cable television.

It calls for a relaxation of official restrictions on cable television which, it says, could soon grow into a £1bn a year industry and provide the means for distributing data communications and electronic information services to private homes.

Unlike the Industry Department's paper, however, the advisory panel's report views the development of cable as separate from British Telecom's network, with which it would be likely to compete eventually. It leaves open the question of whether British Telecom should be allowed a role in cable television.

The report was strongly criticised yesterday by Mr Bryan Stanley, general secretary of the Post Office Engineering Union. He said unless the expansion of cable television were planned in conjunction with British Telecom, it could prove "a very expensive mistake."

British Telecom is divided about its own role. It would like to be involved in cable television but it is sceptical about proposals advanced by Mr Kenneth Baker, Minister for Information Technology at the Industry Department, to link private houses with fibre optic cable which would permit two-way video conferences.

The committee, which the Government is expected to announce today, might examine British Telecom's role. It is likely to concentrate, however, on the implications of an expansion of cable television for the quality of broadcast programmes.

Hard times hit children's pockets

BY ARTHUR SANDLES

BRITAIN'S CHILDREN are having to make do with less pocketmoney. The average UK child gets less than 95p a week — 16 per cent less than the £1.13 of a year ago.

A Gallup survey for the ice cream side of Birdseye Wall's shows that the curb on parental generosity has hit Northern and Scottish children and teenagers, particularly hard.

The survey, which looks at pocket money for five-to-16 year-olds, shows that Northern and Scottish children have seen average pocket money fall from £1.18 a week to less than 78p. Teenagers pocket money, nationally, has fallen by 26 per cent from £1.73 to £1.28.

It was in 1975 that Wall's started the survey of this "significant group of consumers," who have almost £500m a year in pocket money alone. Since then it is the five-to-seven year-olds who have fared best, with an average quadrupling of their pocket money. In recent years, girls have fared better than boys throughout the age groups. At the moment the average girls gets 24p a week more than the average boy.

The last year has also seen friends and relations being less generous with additional payments. There has been a fall in average earnings from Saturday jobs and paper rounds. "Children are now considerably worse off than at the end of the 1970s," says Wall's.

The survey shows that the social background makes little difference to the average pocket money, but indicates that Southern children are suffering less from the squeeze than those in other regions. Their average pocket money is £1.09 (down 4 per cent), compared with 91p in the Midlands and Wales (down 11 per cent), and only 78p in Scotland and the North.

This means Southern youngsters are on average more affluent than those from other regions for the first time. In the past children from either the Midlands or Scotland and the North of England have fared best.

For the second year running children from the Midlands and Wales are having to make do with less pocket money than in the previous year.

When it comes to earning extra pocketmoney, the outlook for children in the regions other than the South is depressing.

"Presumably the levels of adult unemployment in the Midlands and Wales, and Scotland and the North, are reflected in fewer Saturday jobs and paper rounds for youngsters."

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OVERSEAS NEWS

West Bank protest continues despite Israeli clamp-down

BY DAVID LENNON IN TEL AVIV

VIOLENT demonstrations and commercial strikes continued throughout the Israeli-occupied West Bank of the Jordan yesterday as the army intensified punitive measures against Palestinians protesting against the dismissal of one of the region's elected mayors and the killing of a demonstrator.

Curfews and restrictions on the movement of many residents were imposed by Israel yesterday. People living in three towns north of Jerusalem were prohibited from crossing to or from Jordan over the river bridges.

Tension increased sharply after soldiers shot dead one young demonstrator in El-Bireh on Saturday and harassed his funeral procession by firing tear gas at the mourners.

The protests followed the dismissal of Mr Ibrahim Tawil, mayor of El-Bireh, because of his refusal to meet the Israeli "civilian" administrator appointed in November to replace the military governor. The Palestinians regard this appointment as part of an Israeli attempt to impose autonomy on the region under Israeli rule.

The spate of disturbances has also been fomented by Israeli attempts to promote a new collaborationist leadership on the West Bank to replace the elected majors, most of whom are outspoken supporters of Palestinian independence.

Other mayors are considering resigning in solidarity with Mr Tawil. Mr Karim Khalaf, mayor of Ramallah, said yesterday that his town council had already decided to resign, but was waiting for the appropriate moment to notify the occupation authorities.

The Israeli Cabinet yesterday discussed the disturbances after hearing a report from Mr Ariel Sharon, the Defence Minister. No details were released but it is known that Israel is considering dismissing other nationalistic mayors and totally closing the bridges to Jordan if the troubles continue.

Israeli soldiers fired at the legs of demonstrating Palestinian youths who threw stones at Israeli army patrols and burned tyres in the streets of a number of towns. The trouble also spread to the Gaza Strip where 40 Palestinians were arrested after a violent demonstration in support of the West Bank Arabs.

Autonomy talks postponed after Jerusalem dispute

BY OUR CAIRO CORRESPONDENT

THE LATEST round of talks due yesterday between Egypt, Israel and the U.S. on self-rule for the Palestinians has been postponed, because Egypt refused to accept Jerusalem as the venue for the talks.

Egypt also expressed "great concern" at mounting tension in the occupied West Bank which it said would prejudice the possible future participation of the Palestinians in talks on autonomy.

The problem over the Jerusalem venue arises from Israel's unilateral declaration that the whole of the city is its undivided capital. When the Jerusalem Bill was passed by the Knesset in July 1980 Egypt broke off the autonomy talks for nearly a year.

Egypt maintains that the talks should cover the future of all the 1.2m Palestinians living in the West Bank and Gaza Strip, including those in East Jerusalem, captured by Israel in 1967.

The latest disagreement comes shortly after a similar row over Israel's insistence that President Hosni Mubarak should include Jerusalem in his itinerary for a planned visit to Israel. His refusal has led to the postponement of the trip to an unspecified date.

Mr Ali discussed this and the arrangements for Israel's final withdrawal from Sinai next month with Mr Menahem Begin, the Israeli Prime Minister, last week.

President Hosni Mubarak of Egypt yesterday approved death sentences against five Moslem fundamentalists for their part in the murder of President Anwar Sadat last October, Reuter reports from Cairo. Mr Mubarak also approved prison sentences against 17 others.

Mahatir calls Malaysian elections

By Wong Sulong in Kuala Lumpur

MALAYSIA'S Prime Minister, Dr Mahatir Mohamed, announced last night that Parliament would be dissolved on March 29 for general elections to be held within 60 days.

He made the announcement after taking the chair at a meeting of the ten parties comprising the ruling National Front coalition. The Front controls 137 of the 155 seats in the federal Parliament and also dominates the 13-state legislatures.

Dr Mahatir said the state assemblies in the 11 West Malaysian states would also be dissolved, but those of Sabah and Sarawak in East Malaysia would continue since they had elections two years ago.

The Prime Minister has several times indicated that he wanted to seek an early mandate since he took over from Tun Hussein Onn eight months ago.

One of Dr Mahatir's prime considerations will be the state of the economy which is expected to deteriorate further as weak commodity prices continue. He has not been able to push through his policies as fast as he wished because of obstruction from the "old guard" entrenched in positions of influence at federal and state levels.

Swiss exports hit by stronger franc

By John Wicks in Zurich

FOREIGN demand for Swiss capital goods and domestic investment activity fell in the final quarter of 1981, according to a report from the Government's economic study commission in Berne.

Export business was hit particularly by the strengthening of the Swiss franc against all other major currencies. The commission adds that foreign demand will keep falling if the exchange rate remains at current levels, especially in relation to the D-Mark.

The commission foresees a fall in Swiss production, as a result of the deterioration in order volumes, excessive stocks and the expectation of a further drop in orders in the coming months.

FESTIVAL OF INDIA OPENS TODAY

Thatcher hopes to heal rifts with Gandhi

BY ALAIN CASS, ASIA EDITOR

THE IRON ladies of East and West meet for what both sides hope will be a friendly joust this week when Mrs Indira Gandhi, India's battle-hardened Prime Minister, comes to Britain for her second meeting with Mrs Margaret Thatcher.

The last time the two first ladies met they disagreed about almost everything. Little has changed since but, this time Whitehall and Number Ten appear to be going all out to ensure that no blood is spilled.

The meeting takes place against the background of the Festival of India, which Mrs Gandhi will inaugurate at the Festival Hall today. This unique event is likely to dominate the Arts in Britain for eight months.

The festival also has an underlying political significance. Both governments hope it will help to smooth relations between Britain and its former colony. Since the end of the Raj in 1947 these have been prickly and sometimes downright hostile.

It is also hoped that the festival will help community relations in Britain through a sympathetic portrayal of Indian culture.

Mrs Thatcher is said to be devoting a "wholly unusual" amount of her time to the Indian Prime Minister in what seems to be a major fence-mending exercise. However, only two hours of formal talks are scheduled for the week.

Mrs Gandhi is not bringing any ministers with her which suggests that, on the political front at least, each regards the other as irredeemable.

The two leaders clashed on the key foreign policy issues of Afghanistan, the Vietnamese invasion of Kampuchea and the U.S. plan to re-arm Pakistan as part of its efforts to forge a defence line against the encroachment of Soviet power, when Mrs Thatcher was in Delhi last year. The Tory Government's Nationality Act was also a source of friction.

Whitehall officials insist that the two "get on very well personally," one reason being because they are both "strong-headed" and "like a good argument."

Be that as it may, the talks on the economic front are likely to prove more fruitful as India begins to look to the West for technology, expertise and finance. Britain remains the single largest aid donor to India. Gross payments reached £140m in 1980-81. Britain's visible trade surplus with India has risen since 1978 reaching £213m in the same year.

Mrs Indira Gandhi: battle-hardened

The potential for contracts is considerable—including the possibility of India buying more Jaguar fighter aircraft — and Britain hopes to make some progress on these during this week's talks.

The Indians, for their part, are attaching greater importance to the festival which was conceived in 1978 by the then Labour and Janata Governments as a goodwill exercise. At the time Mrs Gandhi had been flung into the political wilderness by an electorate incensed at the excesses of her emergency rule in the mid-1970s.

The emergency—this is her first visit since then—made Mrs Gandhi deeply unpopular in Britain where millions of people retain links with India. The festival may help to improve her image.

There have been complaints from Indians in the UK who feel they have been excluded by the organisers because of their past or present opposition to Mrs Gandhi.

The Indian Prime Minister is likely to face a picket of Indian workers when she arrives at the Festival Hall with Mrs Thatcher this evening.

Each government is spending over £1m to subsidise the events which range across the spectrum of Indian life. They include exhibitions at the London museums and art galleries, lectures, concerts, arts and crafts shows, dance and drama all drawn from a central theme which is the continuity of India's civilisation from the 3rd millennium BC to the present.

The festival includes cameos ranging from the village life of most of the country's 685m people to India's space programme and is a stark reminder that the country of Gandhi and Nehru remains a volatile mixture of progress and poverty.

Artists and troupes as well as dozens of priceless treasures are being flown to Britain for the festival and Britain's schools and colleges are being encouraged to participate.

British companies, no doubt with an eye to the growing market in India, have put up plenty of money. So far £400,000 has been collected, although this also includes donations from Britain's Indian community.

British Aerospace, Davy McKee International, Standard Chartered Bank and Northern Engineering Industries, all of whom have a big stake in India, are sponsoring an exhibition of Indian scientific achievements at the Science Museum. Others, including Barclays Bank, Grindlays and Plessey, are sponsoring individual events.

For a taste of British culture, Mrs Gandhi is being taken to see the West End musical "Cats." She will be accompanied by Mr Douglas Hurd, a junior minister at the Foreign Office.

Austrian banks reject Soviet credit request

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

A SOVIET bid to raise a$150m (£83m) credit has been firmly rebuffed by Austrian banks.

Bankers in Vienna confirmed over the weekend that the Soviet Union had asked for the cash credit in connection with the recent Austro-Soviet protocol setting out the availability of Austrian export credit guarantees to Moscow over the next two years.

The Russions were told that now was an inappropriate time to discuss such a credit, the bankers said. "We tried to stop the conversation immediately," one added. "We didn't want to talk about financing that was unrelated to Austrian export business."

Under the Austro-Soviet protocal the Austrian Government has agreed to guarantee export credits to Russia for a maximum of Sch 10bn (£333m) between now and the end of 1983. But it is seen as a measure of the tight financial position facing the Soviet Union that the protocol was accompanied by a request for a cash loan.

Similar stories are becoming common across Eastern Europe. Two weeks ago East Germany was reported to have failed in efforts to raise a $300m financial credit from international banks.

As a result confidence in the creditworthiness of the Eastern bloc has diminished to the point where even Hungary, arguable the region's most popular borrower, has now suffered withdrawals of short-term credit facilities from international banks.

Bankers say that until now Hungary has been punctilious in making international payments on time but some are beginning to wonder how long even the region's stronger economies can hold out under such pressure.

"It's not the borrowers who are causing the problems," said one London banker, "it's the banks themselves." He blamed particularly Arab and Japanese banks for cutting and running from Eastern Europe after Polish and Romanian debt problems.

Hungary's problems may be mitigated by the fact that it is now expected t or each agreement with the International Monetary Fund on membership by early May, but even bankers sympathetic to Eastern Europe admit that the future for other countries in the region looks bleak.

A test case will be Yugoslavia's request for a cerdit of DM 200m (£46.7m) from German banks and $150 from French institutions. If banks in these countries agree, there is a chance that Yugoslavia may be able to revive its project to raise a large syndicated credit from U.S., British, Canadian and Japanese banks.

Enders firm on Salvador guerrillas

By David Tonge

THE U.S. will talk with the El Salvador opposition only about how it should join in the constitutional plans of the country's present Government. Washington refuses to discuss dividing power between all the factions with guns.

This tough rejection of offers to negotiate from the guerrillas who control about a third of the country was spelt out yesterday by Mr Thomas Enders, the U.S. Assistant Secretary of State for Inter-American Affairs.

In a television interview in London he said: "If you are going to have a democratic process which distributes power in society according to elections . . . you cannot graft on to that deals by which those people who have guns obtain a share of power simply because they have guns."

He added: "We will not participate in negotiations that are designed to allocate power to the several factions." Mr Enders said he welcomed "contacts that will facilitate participation in the emerging democratic institutions."

He admitted that the U.S. had abandoned all hope of an early end to its concern over Central America. He forecast it could take a period of years to get matters right. He also went beyond previous Administration statements that the U.S. would not send troops to the area by strongly criticising U.S. intervention elsewhere in the past.

Anatole Kaletsky adds from Washington: The State Department has issued an 11-page document giving detailed support for its contention that Cuba is arming the El Salvador guerrillas and that Nicaragua is the guerrillas' centre of command and control.

The evidence includes details of arms caches seized in Costa Rica, Honduras and Guatemala, all of which could allegedly be traced back to Cuba.

Power rationed as NSW workers defy union

BY MICHAEL THOMPSON-NOEL

POWER CUTS and rationing in New South Wales came into effect at midnight last night as more than 100 Electricity Commission workers throughout the state defied union calls to end work bans.

Industry in the state has been put on a four-day week, affecting more than 500,000 workers.

Mr Neville Wran, the state Premier, has refused to capitulate to a demand from salaried power workers for a 13.44 per cent pay increase in preference to the flat A$35 (£21) a week negotiatied between the state's labour council and government last December. There is to be a hearing before the state industrial commission today.

The New South Wales Chamber of Manufacturers, which has criticised the State Government's plans for industrial power rationing, says the dispute could cost industry A$50m a day.

Space shuttle Columbia due to blast off today

BY DAVID LASCELLES IN NEW YORK

THE SPACE shuttle Colombia is due to blast off for its third mission at 10.00 am Eastern U.S. time today.

Although the countdown at Cape Canaveral was proceeding smoothly yesterday, a major change has already had to be made for the shuttle's return to earth after a week in space.

Heavy rain has waterlogged the usual landing site on a dried-out lake at Edwards airforce base in the California desert, and the landing has been switched to an alternative site in the New Mexico desert—the White Sands missile range.

For the last three days, train loads of Nasa equipment has been transferred from Edwards through Nevada down to White Sands at a cost of $250,000.

The crew members for today's flight are Col Jack Lousma and Col Gordon Fullerton who will orbit the earth 115 times.

Irish interest rates call

BY BRENDAN KEENAN IN DUBLIN

THE IRISH GOVERNMENT of Mr Charles Haughey will come under pressure to subsidise mortgages when the 2 per cent jump in commercial interest rates comes into force tomorrow.

The new rates, which range from 19 per cent for prime commercial borrowers, to 22 per cent for ordinary overdrafts, give Ireland the highest interest rates in Europe.

There have already been calls from industry and agriculture for the government to guarantee exchange rates.

GM wage talks continue

BY DAVID LASCELLES IN NEW YORK

TALKS between General Motors and the United Auto Workers on a new cost-cutting wage deal continued in Detroit last night, after an all-night session on Saturday.

There are two principal sticking-points. One is profit-sharing. Workers want a share in the profits in return for whatever concessions they make on basic wage rates. But, unlike GM's main rival, Ford, which recently agreed to such a plan, GM is basically profitable

The second is the status of the many car plants, which GM has already closed. The union wants to preserve as many jobs as possible, and has been probing the idea of re-opening plants.

Saudi pressure on Marcos likely

BY JAMES DORSEY IN KUWAIT

President Ferdinand Marcos of the Philippines has begun a four-day visit to Saudi Arabia that may lead to fresh efforts to resolve the decade-old conflict between his country's predominantly Christian population and its 5m Moslems.

After a one-day stop in Jeddah on Saturday Mr Marcos was welcomed in the Saudi capital, Riyadh, yesterday. Both the Saudi Press Agency and newspapers in the kingdom left no doubt that the quest for Moslem autonomy in the Philipines is high on the agenda of his talks with Saudi leaders.

The Philippines have developed close relations with Saudi Arabia in recent years. Thirty per cent of Philippines oil is supplied by the kingdom. The majority of the estimated 250,000 Filipinos working in the Middle East are employed in Saudi Arabia. The two countries are expected to sign an agreement on technical co-operation before Mr Marcos, who is accompanied by 14 members of his Cabinet, departs on Wednesday.

Saudi Arabia heads a committee set up by the 43-nation Islamic Conference Organisation to help bring an end to the guerrilla war waged for Moslem self-rule by the Moro National Liberation Front (MNLF) in the south of the Philippines.

The Islamic Conference Organisation, which has headquarters in Saudi Arabia, has repeatedly urged its members to "exert political, social and economic pressure" on the Philippines to implement an agreement concluded in Libya in 1976 that called for autonomy in certain Moslem areas.

Treurnicht leads breakaway party

BY J. D. F. JONES IN JOHANNESBURG

A NEW White political party of the extreme right — the Conservative Party of South Africa (CPSA) — was launched in Pretoria at the weekend under the leadership of Dr Andries Treurnicht, the expelled Cabinet Minister.

The move follows a split in the ruling National Party. An ultra-conservative wing based in the Transvaal rebelled against any hint of "power-sharing" with the Coloured and Indian minorities and was ejected from the party.

The CPSA, for the time being, brings together the Nationalist rebels, including 16 sitting MPs, the small National Conservative Party of Dr Connie Mulder (a disgraced and senior National Party ex-Minister), the more ideologically inclined Aksie Eie Toekoms ("Action our Future"), and various right-wingers and quasi-fascists.

Significantly, the new party does not include the well-established Herstigte Nasionale Party (HNP), which was formed in 1969 after a similar right-wing breakaway from the National Party and which at last April's election won 200,000 votes to become a substantial factor in White politics.

The leader of the HNP, the demagogic Mr Jaap Marais, is playing hard to get and is insisting that Dr Treurnicht should come cap in hand if he wishes to pursue what seems to observers an obvious strategy of a right-wing electoral alliance against the government of Mr P. W. Botha.

The party was launched on Saturday at a mass meeting of between 7,000 and 8,000 people in a building in Pretoria called, in Afrikaans, "Tortoise Hall." The principles of the CPSA ununashamedly hark back to the fundamentalist apartheid ideology that was expounded by Dr Verwoerd, a generation ago.

Dr Andries Treurnicht: expelled from Cabinet.

"Healthy apartheid is being abandoned and we are being prepared for a slide into integration," said Dr Treurnicht. "We reject the idea of an open society and all efforts to bring about multiracialism in South Africa. For us, it is unacceptable that Whites and non-Whites govern together."

There has been sustained speculation that Mr John Vorster, the former Prime Minister and State President, will add his support to the new party in opposition to his successor, but he did not appear at Saturday's meeting.

The 15-point policy plan of the conservative party, as expected, insists on maintaining geographical separation with each racial group having its own political institutions. For the Blacks, the party reiterates the classic National Party ingredients of indepedent tribal homelands

For the Coloureds and Asians—where the occasion for the National Party spilt occurred last month—the party rejects any form of mixed government

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Defence mission from India to visit Moscow

BY K. K. SHARMA IN NEW DELHI

AN INDIAN defence mission is to visit Moscow next month for talks on purchases of sophisticated weaponry from the Soviet Union and to tie up the rights to manufacture MiG-23 aircraft under licence.

The purchase of the MiG-27 for the Indian Air Force will also be discussed and assurances will be sought that the Russians will continue to supply spares and components for the military hardware that they have provided for the Indian armed forces since 1971 when the 15-year treaty of peace and co-operation was signed between the two.

The mission is a follow-up to the talks held in New Delhi last week when a Russian delegation led by Marshal Dimitri Ustinov, Soviet Defence Minister, held talks on increased defence co-operation. In the 70-strong delegation were the Soviet air and naval chiefs and the deputy army chief.

Marshal Ustinov, who is one of the most senior members of the Soviet Politburo, is understood to have promised substantial increased assistance to India to improve its defence in the wake of the U.S. decision to supply Pakistan with $3.2bn worth of weaponry which includes the F-16 aircraft.

India's armed forces are already equipped with large quantities of sophisticated Russian equipment which includes the MiG-21, the MiG-23 and the MiG-25 for the air force, T-64 tanks for the army and submarines for the navy.

However, India's policy is to achieve self-reliance in all weapons that it acquires and it is for this reason that it usually seeks manufacturing rights for the equipment purchased abroad.

It is for this reason that India wants to manufacture the MiG-23, which is the main fighter used by the Indian Air Force. The MiG-21 and its later version, the MiG-21-BIS, are already being manufactured in Indian factories but these are to be replaced in the medium-term by the MiG-23.

Moves towards talks on trade in services

BY BRIJ KHINDARIA IN GENEVA

MOVES TOWARDS a new round of multilateral negotiations concerning trade and services such as insurance, tourism, banking, and transport, gained ground in Geneva last week with a decision to prepare a new UN study on barriers in such trades.

The study will be produced by the UN Conference on Trade and Development (Unctad) as a contribution to the ongoing international debate on whether the services sector warrants a new set of negotiations. It will be part of an Unctad programme analysing the impact of protectionism on world trade.

The study has been ordered by Unctad's policy-setting Trade and Development Board (TDB) which also discussed a separate Unctad report on world trade problems, including industrial restructuring in developed countries to meet competition from Third World exports.

The report, which analyses trade figures from 1960 to 1980, says that services, the so-called "invisibles" sector are the fastest-growing area of world trade with a total worth of $700bn in 1980. In contrast, growth of world manufacturing output—the "visibles" sector—slowed to just 3.7 per cent a year in the late 1970s, compared with 4.7 per cent yearly in the early 1970s and 6.6 per cent yearly in the 1960s.

The decision on whether to hold new multi-lateral negotiations—to be styled on the 1979 Tokyo Round, which reduced tariff and non-tariff barriers in manufactured and some agricultural goods—would come at a ministerial meeting of members of the General Agreement on Tariff and Trade (Gatt) this November. Even if current doubts are ironed out, the negotiations are unlikely to begin until 1984.

The U.S., a long-time supporter of the need to study the services trade, has not gone so far as to suggest new multilateral talks. Japan alone seems keen for such negotiations.

Although most developing countries are lukewarm several would be willing to go along because of increasing awareness of the role of expensive services usually provided by Western-based companies in inflating their import and export costs. Transport and insurance costs are of particular interest to many developing countries.

World Economic Indicators

RETAIL PRICES
(1975=100)

	Feb. '82	Jan. '82	Dec. '81	Feb. '81	% change over previous year
UK	230.4	230.4	229.1	207.6	11.0
	Jan. '82	Dec. '81	Nov. '81	Jan. '81	
W. Germany	133.4	132.2	131.8	125.4	6.3
France	198.9	196.9	195.8	174.7	13.8
Italy	277.3	273.8	270.7	236.0	17.5
Netherlands	149.1	148.4	148.4	139.0	7.3
Belgium	153.5	152.1	151.1	141.8	8.3
U.S.	175.2	174.6	174.1	161.6	8.4
Japan	145.9	145.8	145.7	141.3	3.3

Source: Eurostats (except U.S., Japan and UK)

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Hong Kong and U.S. in textiles agreement

By Robert Cottrell in Hong Kong

HONG KONG and U.S. negotiators have reached a six-year agreement on Hong Kong's textile and garment exports to the U.S.

It provides for low growth in categories to be restricted by quota covering roughly two-thirds of relevant export volume, but opens up the remaining third to a new system of "export authorisation." This amounts to an unrestricted monitoring system, with the provision for imposing new restrictions if desired by agreed procedures.

The agreement has yet to be ratified at government level, but both sides agreed that it should be implemented from today following its initialling by delegates at 6.30 am yesterday in Hong Kong. Backdated to January 1, it runs until December 31, 1987.

It forms one of the bilateral agreements provided for by the Multi-Fibre Arrangement (MFA). Next month, Hong Kong begins its negotiations with the EEC.

Speaking of the new quotas, Mr Lawrence Mills, Hong Kong Trade Commissioner, said yesterday: "The growth rates are extremely low. They range from as little at 0.5 per cent per annum to 2 per cent. which is well below the standard 6 per cent rate provided in the MFA.

"However, the MFA does provide for growth rates at lower than 6 per cent, and in the prevailing circumstances in the U.S., we were persuaded that higher growth rates on our quotas in many categories could have caused a recurrence of market disruption in the U.S."

Mr Mills estimated that the next year could see growth of perhaps one per cent overall in quota-restricted categories. These include commonplace garments such as shirts and trousers, and cover all categories whose quotas were fully utilised last year. No quotas have been cut.

The export authorisation system covering the remaining third of textile and garment exports allows the U.S. to negotiate ad hoc restrictions with Hong Kong for the balance of a particular year, or agree new formal ceilings based either on the level of the previous year's trade or trade over a longer preceding period, in each case with an increase of 15 per cent.

"The real test," said Mr Mills, "will be the extent to which the trade can adjust to a new restraint structure, and take advantage of the new liberalisation, and I'm quite sure they will."

Soviet quotas take effect

By Our World Trade Staff

REGULATIONS have been posted by the import licensing branch of the Department of Trade to cover the restrictions on imports to the UK from the Soviet Union following the EEC's decision last week to impose economic sanctions.

The restrictions came into force Saturday but do apply to imports covered by existing contracts, to those already in transit or to those for which import licences have already been issued. But there may be difficulty defining what is an existing contract.

Soviet imports which had unrestricted access to the EEC are now subject to a quota of 75 per cent of 1980 imports. Where goods are already subject to a quota in a member state, the allowable quantity of imports is cut by half. If a member state did not have a restriction then the level of imports is set at 50 per cent of 1980 levels.

The goods involved in the restrictions include some manufactured foods, sanitary ware, television sets and some other electrical equipment, ball bearings, toys, kraft liner paper and some glass and aluminium.

SHIPPING REPORT

Tanker market remains quiet

By Lynton McLain

UNCERTAINTY OVER the outcome of the meeting on Friday* of the Organisation of Petroleum Exporting Countries led to a continuation of the quiet trading which had marked the tanker market last week.

Tanker charterers hoped the meeting would produce a clear policy and the resultant possibility of stable trading. However, a considerable increase in demand for oil and oil products would be needed to boost tanker charter rates.

Despite the uncertainty, several large tankers did win work from the Gulf, although at low rates. A 350,000 tonne vessel was chartered at Worldscale 16½ for discharge in Japan and a 220,000 tonne vessel gained Worldscale 21, again for discharge in the east.

LEIPZIG TRADE FAIR

A mirror for shifting moods

PARTICIPATING in the four-day-long Leipzig International Fair, the world's main East-West trade fair, can be an exhausting experience. But many representatives from companies in Eastern and Western Europe have done it in both spring and autumn, year-in and year-out since the East German fair was revived after the war in 1947 after a run of nearly 800 years. Leslie Colitt, our Berlin correspondent, tells of his experiences at the fair which just ended yesterday which he has attended for a modest 15 years

Opening day: Western bankers say no one is sticking to OECD's recommended minimum interest rate for supplier credits to Soviet Union — currently 10.5 per cent. The Russians are said to be paying 7.8 per cent on eight-year Austrian loans for a deal just signed by state-owned Voest-Alpine to build a $500m steel plant in the Soviet Union.

Another publicly owned steel and engineering company, West Germany's Salzgiter, is said to have lost out because it could not match this financing. Bankers note Voest is having to absorb difference between the interest which the Soviet Union is paying and the 9.8 per cent rate offered in export finance by Austrian Government.

At Soviet Pavilion, the usual growth figures not displayed this time. The modernised Pavilion resembles an enormous Howard Johnson's motel in the U.S. Soviet special exhibit is devoted to Soviet Georgia. Friendly Georgian from Tiflis points to massive laboratory machine, and says it has been chosen for a gold medal award at the fair. Conversation turns to one J. V. Stalin, a well-known native son. The encouraging Georgian, explaining his countryman's "excesses," says: "You must remember, we are partly Asian."

Big Western guns arriving in Leipzig and more to come: Otto Wolff von Amerongen, head of West German Chamber of Industry and Trade; Count Otto Lambsdorff, West Germany's Economics Minister; Walther Leisler Kiep, the CDU opposition's economics specialist, and West Berlin's CDU economics chief. There appears to be no drop in West German interest to revive East-West trade which, it is hoped, is only temporarily in the doldrums.

British exhibitors, 65 of them, get high marks for effort from Herr Erich Honecker, the East German leader, who stops at UK stand. UK trade with East Germany was down last year over 1980 when nearly half UK exports to GDR consisted of £40m in silver purchased on London Metal Exchange. GKN, however, is bidding on a wheel rim plant to be built in Thuringia against strong West German competition.

Exhausted exhibitors and visitors heading back toward their Leipzig quarters. Bankers and other top company executives ensconced in DM 120 per night hotel rooms while executives from smaller Western concerns return to more modest DM 12 berths in private Leipzig homes. Here they guzzle beer with the hospitable Leipzigers and relearn how to cope with a coal-burning water heater while hand-showering in a crouch. One picks up latest joke: "Why did the Poles return the relief packages we recently sent them?" Answer: "Because the parcels contained work clothing."

Many Westerners staying with East German families for the first time never cease to be amazed by the way their hosts get up around 5 am and are ready to start work at 6 am or 7 am.

Second day: Western book publishers, here for the Leipzig Book Fair, say Poles have paid millions of dollars to amazed Western publishers from whom they buy mainly technical books. Feeling is payments came in order to lure back Western exhibitors to Warsaw's Book Fair if it is again held this spring. Otherwise, no one cares to predict when Polish production might recover, and several East Europeans note that Moscow, itself, is in danger of declining to zero effective growth this year.

Signs on East German buildings reveal some priorities. In huge letters in the main post office windows: "GROWTH PERFORMANCE, STABILITY —GDR". Also seen over a party shop facade "AGITATION, PROPAGANDA, ADVERTISEMENT."

But Leipzig during the fair also tolerates diversity as shown by excellent student cabaret where girl says to loud audience applause: "You can't always be a GDR citizen, sometimes you have to be a human being."

East German churchmen, echoing prevailing mood in East and West Germany, says whatever happens in Poland the Poles should "not forget one factor, the importance of work." Perhaps Soviet-style socialism does function so much better in East Germany than elsewhere because of Martin Luther's legacy of two separate worlds—spiritual and temporal.

An East German about 50 years old at the technical fair gazes up at a giant West German Gottwald crane soaring 78 metres over the fairgrounds and exclaims: "What a beautiful thing."

Back in the Soviet pavilion several of latest Soviet machines displayed turn out to have Polish-made components such as casings and electromagnetic clutches. This illustrates how problems in one Comecon country can affect all the others involved in the integration process.

Third day: Klaus von Dohnanyi, the Mayor of Hamburg, jolts some guests at the Hamburg harbour reception in Leipzig when he notes that both German states are jointly responsible for reducing the massiv pollution of the Elbe river.

Ride the tram for the 10th time at 20 pfennigs a ticket. Seems that story in main party newspaper that freight being carried at night by tram in Leipzig to save fuel is somewhat premature as it was only a trial run. Despite dirt cheap public transport, East Germans are eager as ever to buy exorbitantly priced cars and wait for them for 10 years.

Fourth Day: Sign of the times in East Germany—a hardware store in the Karl Liebknecht Strasse has a petrol-powered lawn mower in the window for DM 705 (£170). Count Otto Lambsdorff meets Guenter Mittag, East German economics chief. They discuss renewal of DM 850m interest-free credit to East Germany allowing it to overdraw its trade account with West Germany. Also talk about electrification of West Berlin-Helmstedt rail line across East Germany at large West German cost. Bonn would like to see political concessions from East Berlin, in return, such as a reduction in border currency exchange requirements for Westerners entering East Germany. West German sources say there is no sign of this about to happen.

Depart Leipzig, city of Bach and the Leipzig Fair, with a first-rate "flu" which East German hosts insist should be treated with their Vietnamese Golden Star aromatic balm, made in Hanoi. Apply it on return home and, amazingly, it works.

French set for $860m pulp plant in Indonesia

By David White in Paris

A FRENCH-LED consortium of engineering companies has signed a letter of intent for an $860m pulp project in Indonesia, which is expected to produce $400m worth of work for the European partners.

The pulp complex, due to be built in the south of Borneo, is to be 51 per cent controlled by non-Indonesian interests. Among these, the consortium of French, West German and Finnish companies is to take the minority share alongside international banks and institutions.

The World Bank's International Finance Corporation has been asked to take part in the venture.

The consortium, headed by Sogec, an engineering unit owned by French construction interests and banks, comprises the French companies Grands Travaux de Marseille, Leroy-Somer and Fives-Cail Babcock, West Germany's Siemens, and Rauma-Repola of Finland.

The complex, construction of which is to start next year, will have a production capacity of 250,000 tonnes a year. This is to be made up of 100,000 tonnes of fully-bleached long-fibre pulp for the export market, plus 70,000 tonnes of printing and writing paper, and 80,000 tonnes of Kraft paper for the domestic Indonesian market.

The principal engineering role is to be taken by Grands Travaux de Marseille, which will also have responsibility for the paper unit, with the Finnish partner handling the pulp side of the project.

According to Sogec, it is foreseen that 30 per cent of the total investment cost will come from equity capital — 260m.

London rate rises highest in Tory councils

BY ROBIN PAULEY

A COMBINATION of tactical errors and the vagaries of the Government's system of allocating grant to local authorities has left all the major London rate rises in this, a crucial election year, in Conservative-controlled boroughs. Almost all Labour councils are setting rates for 1982-83 at well below the inflation rate.

The upset has caused embarrassment at the Environment Department, anger among London Tory boroughs and London Tory MPs and led, finally, to the intervention of Mrs Thatcher to insist on an extra £25m hand-out to London without which some Tory councils would have been in an even worse rate-fixing mess.

Rates are important in election years because the bills go out in April and local elections are held in early May. All London boroughs go to the polls this year, with metropolitan district councils.

Councils traditionally levy higher rates than necessary in pre-election years, putting some of the excess into balances. This usually reappears in election years to subsidise the rate call.

But since the Government came to power, Tory-controlled councils have been responding more eagerly to demands for expenditure and manpower cuts than Labour councils. They have tried to keep their spending and rates as low as possible with the result that they have nothing in balances.

But the complicated and unpredictable system of block grant has consistently worked against thrifty Conservative councils, particularly in London. Westminster, Wandsworth and Kensington and Chelsea were treated exceptionally severely by the 1981-82 grant share-out, and although much more money has been allocated to London this year they have again fared badly.

In addition, there have been unexpected multi-million pound windfalls in housing subsidy payments in 1981-82, leaving councils with much more cash in hand than they expected. The principal beneficiaries are those with the heaviest housing responsibilities — mainly Labour-controlled.

Some 15 councils are planning to increase their general rate by more than 11 per cent —the current inflation rate—in 1982-83. All are Conservative-controlled except Greenwich (Labour), the City, and Hammersmith and Fulham which has a Conservative-Liberal alliance. The lowest Tory rise will be 8.3 per cent (Havering), whereas several Labour councils have rises under 5 per cent.

All the rises include the levy for the Greater London Council, Inner London Education Authority and Metropolitan Police, which masks the fact that many councils this year are cutting the local part of the rate.

But even including these precepts, one council has managed a rate reduction of 2.6 per cent. It is Lambeth, regarded as the most extravagant and profligate Labour council.

LONDON'S ELECTION YEAR RATE BILLS

Council	Control	Total commercial rate 1981-2 p	Total commercial rate 1982-3* p	Change %	Average domestic rate bill 1981-2 £	Average domestic rate bill 1982-3 £
City	Ind	121.7	143.0	17.5	429	559
Camden	Lab	179.6	192.4	7.1	578	624
Greenwich	Lab	150.6	179.56	19.2	275	348
Hackney	Lab	183.7	198.0	7.8	399	447
Hammersmith/Fulham	Con/Lib	151.4	174.8	15.5	334	339
Islington	SDP	162.2	‡	‡	424	‡
Kensington/Chelsea	Con	130.0	152.9	17.6	565	711.50
Lambeth	Lab	191.0	186.0	—2.6	422	410
Lewisham	Lab	175.12	176.6	0.8	353	367
Southwark	Lab	186.2	197.5	6.1	367	403
Tower Hamlets	Lab	171.0	186.0	8.8	382	419
Wandsworth	Con	117.8	132.5	12.5	248	285
Westminster	Con	120.6	141.6	17.4	480	614
Barking/Dagenham	Lab	148.0	150.0	1.4	281	285
Barnet	Con	119.5	140.5	17.6	366	442
Bexley	Con	141.5	158.5	12.0	284	323
Brent	Lab	197.63	206.0	4.2	456	528
Bromley	Con	115.0	133.0	15.7	279	331
Croydon	Con	98.0	112.0	14.3	241	283
Ealing	Con	131.0	142.0	8.4	304	334
Enfield	Con	128.0	146.5	14.5	296	346.50
Haringey	Lab	207.2	226.8	9.5	473	522
Harrow	Con	152.5	169.5	11.1	405	456
Havering	Con	139.0	150.5	8.3	322	352
Hillingdon	Con	131.33	153.25	16.7	301	359
Hounslow	Lab	166.0	166.0	0.0	380	380
Kingston	Con	119.0	130.0	9.2	286	317
Merton	Con	116.5	139.0	19.3	269	331
Newham	Lab	196.0	215.0	9.7	364	406
Redbridge	Con	123.5	134.5	8.9	293	324
Richmond	Con	103.0	126.42	22.9	243	310
Sutton	Con	115.5	137.5	9.0	265	325
Waltham Forest	Lab	186.0	205.0	10.2	386	430

Notes: * Poundages include GLC, ILEA and police precepts. Domestic rate poundages are 18.5p less except City (35.3p less) and Westminster (25.9p less).
† Excluding supplementary rates.
Individual rate bills can be calculated by multiplying the rateable value by the rate poundages.
‡ Islington's rate fixing meeting collapsed without setting a 1982-3 rate.

Snow and floods cost insurers £200m

By Eric Short

THE BLIZZARDS which swept Britain in December and the floods and storms which followed in January cost UK insurance companies at least £200m, says the British Insurance Association.

The association's review revealed that the severe weather hit insurance companies harder than usual.

In comparison, snow and frost at the beginning of 1979 cost insurance companies £65m, while floods at the end of the year, confined to South Wales, cost £27m. At today's prices, the costs would have been £95m and £35m respectively.

The £200m costs this winter arose from damage to both domestic and commercial property caused by burst pipes and collapsing roofs, and from flood damage in Selby and the surrounding area of Yorkshire, and in the West Country.

The bill could be even higher. Insurance companies are still processing claims and March saw bad weather in Scotland and the north of England.

The BIA has not tried to ascertain the effect of the weather on motor insurance. But those companies which have already issued their 1981 results, including Britain's largest motor insurer, General Accident, have reported heavier than usual claims. However, these are small compared with property claims.

The higher damage bill also reflects that more households are insured for full value, largely as a result of the insurance companies' efforts. They have introduced the principle of index-linked sums insured and premiums to allow for inflation. This means higher premium income for the companies, but it also results in higher payments.

It has strict cash limits in every department, is not filling vacancies and is cutting spending wherever possible in an attempt to try to retain control of a council which is regarded by the SDP as prime territory for gains.

Tory councils, in spite of their difficulties, will still be sending out rate bills which are in many cases smaller than those for comparable properties in Labour areas because the Tories have mainly kept the base rates low.

Ratepayers in Richmond, for example, face the steepest rise in London — 22.9 per cent — but last year there was no rise. The average domestic bill continues to benefit from last year's standstill and so will be only £310 in 1982-83.

Kensington and Chelsea, on the other hand, follows last year's rise of 42 per cent on the general rate with another 17.6 per cent. The effect on domestic ratepayers will be an average bill of £711, the highest in Britain.

One council, the SDP-controlled Islington, failed at the last minute to fix a rate last week but is having another attempt on Friday.

BL board approves truck investment

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

THE BL BOARD has formally approved the investment in a new Leyland light truck range involving "several millions of pounds."

The decision was deferred earlier this year because of the four-week strike by truck and bus division employees.

The light truck range, code-named MT 211, will replace the Terrier models which operate at gross weights of 7-11 tonnes.

It was to be produced at Bathgate, Scotland, but under the terms of the reorganisation programme announced last November, assembly will now be at Leyland, Lancs.

Leyland sold about 2,500 Terriers last year but would expect to double that when the MT 211 comes on stream early in 1984.

Therefore output at the Leyland plant, scheduled to be a maximum of 495 a week when it was opened, will be increased considerably. The company says eventually it could be expected to produce at least 900 units a week.

The MT 211 will complete the renewal of the Leyland truck ranges for the UK and the Continent. It will have a new cab but it will probably share some components from the C40 cab used on the heavier T45 models.

The last of the T45 range, to replace the Boxer, is due to be launched towards the end of the year.

Leyland has also, as part of its £200m investment programme, replaced its trucks for non-European markets with the Landmaster and Landtrain. A heavy Scammell, code-named the S26, is due this year.

Car for disabled gives Reliant a further boost

BY JOHN GRIFFITHS

RELIANT's recovery plans will be boosted in the autumn by the launch of a disabled drivers' car for which the company will provide the bodies. But part of its export business has run into difficulties.

In the past few weeks Reliant, based at Tamworth, Staffs., has launched a replacement for its Robin three-wheeler and announced an agreement with Sunrise Auto Industries of Bangalore for its Kitten four-wheeler to be built in India. Another export assembly agreement, also in Asia, is expected to be announced in the next few weeks.

But the future of its £1m-a-year business with the MEBEA company of Athens looks uncertain. Reliant has been providing 1,000 kits a year of a light pick-up based on the Kitten and called the Fox.

The company said at the weekend that MEBEA's bankers had moved in to take over its management. However, Reliant is also preparing to launch the Fox in the UK, possibly later this year.

The company's mainstay has become the Rialto three-wheeler, 75 a week of which are being built at 50-55 a week for the Robin model.

Three-wheeler production far outstrips the conventional cars: only three or four Scimitar estate and sports cars are being built a week, while the Kitten economy four-wheeler is down to two a week against a weekly capacity of 50.

Meanwhile, Otosan Otomobil Sanayii of Turkey is moving towards production, after some delay, of a medium-sized passenger car, the FW 11, developed under an engineering co-operation deal with Reliant. Both the Fox and FW 11 may also be included eventually in the Indian project, which runs initially for five years and envisages production of 3,600 Kittens (to be called Dolphins) a year by 1984.

The car for the disabled is to be built by Elswick Hopper, the bicycle and engineering company. Reliant expects initially to provide 200 bodies per year. But the car has been designed to meet European legislation and the potential sales are seen as being much higher. The car was engineered by GKN Sankey around BL Mini mechanical parts.

The bodies will be provided by a new Reliant subsidiary, Reliant Industrial Mouldings, set up specifically to contract to outside industry—a business which Reliant wants to build up substantially.

Last year was a traumatic one for the company: it was de-merged from JF Nash Securities, closed one of its three factories, cut its staff from 900 to 500 and lost just over £1m. But the changes, Mr J. F. Nash, its chairman, said at the start of this year, allowed Reliant to face 1982 "with realistic optimism."

National Savings yielded £275m in February

BY ERIC SHORT

A CONTINUING steady demand for both the index-linked and conventional National Savings certificates last month, yielded £275m in net receipts for national savings.

Net index-linked Certificates —still known as Granny Bonds —accounted for £162m of these receipts and the 23rd issue of conventional certificates produced another £100m. The latter issue, withdrawn on March 10, offered a net yield of 10.51 per cent — the highest ever for a Savings Certificate.

The National Savings Bank Investment Account yielded only £11.6m net.

Receipts for February brought the total net contribution of National Savings to the Government's funding requirements to £3.8bn in the first 11 months of the 1981/82 financial year.

Insolvency law reforms recommended

By Duncan Campbell-Smith

THOROUGH REFORMS of insolvency law are recommended in the final report presented to Mr John Biffen, Trade Secretary, by the Insolvency Law Review Committee.

The submission of the report completes the work of the committee appointed in 1977 under the chairmanship of Sir Kenneth Cork.

The recommendations, made in two stages with an earlier report submitted last summer, amount to "a major study with ramifications throughout the entire legal system," Sir Kenneth said yesterday.

"We cannot canvass our ideas before the Government has seen them but we are confident that both parts of the report will be published in full, perhaps in the early summer."

Meanwhile, the Department of Trade must take stock of a mass of conclusions — part two is an inch and a-half thick — prepared by a committee with 30 members, assistants and advisers. Their recommendations aim at three major changes:

- To offer new ways for third parties to help a struggling company.
- To introduce quicker and simpler treatment of personal insolvency.
- To extend the ambit of voluntary insolvency to require the formal involvement of the courts only in those cases where public interest is concerned.

Prior faces decisive battle over N. Ireland legislation

BY MARGARET VAN HATTEM

MR JAMES PRIOR, the Northern Ireland Secretary, faces a decisive battle with the Prime Minister and senior Cabinet colleagues on Thursday when he seeks their backing for legislation this summer to set up devolved government in the province.

Although legislation is not essential for setting up the assembly he envisages, their decision is crucial to his chances of success. For it will be widely interpreted as a vote of confidence in his plans for transferring power to local politicians.

But Mr Prior could meet much opposition from several ministers, including the Prime Minister, who have yet to be convinced that his plan has sufficient chance of success.

In considering his draft Bill and White Paper, they will possibly say all the main Northern Ireland political parties are resisting his proposals. While all appear prepared to contest the autumn elections, the Unionist parties intend to use their seats to fight for majority rule and the main Catholic party considers the proposals "unworkable."

Whereas Mr Prior appears convinced that the Government must show it will not be put off by these traditional objections, his colleagues fear another failure in the province would damage its general election chances.

Should he fail to win their support, they are likely to delay legislation because of insufficient time. However, the collapse of opposition to the Canada Bill has left the Government with a relatively light programme.

Should he succeed, the decision would almost certainly be endorsed by full Cabinet the following week.

Sealink to run Lakes yacht

THE NATIONAL TRUST has announced that Coniston Gondola, the 1859 steam yacht which it restored in 1980 for over £100,000, is to be operated by British Rail Sealink. The new service will be called Sealink Coniston.

Mr Laurence Harwood, the trust's regional director, explained yesterday that, because of the heavy financial loss they had incurred in running it themselves for two seasons as a public service, they either had to get some other organisation to run it or shut it down.

British Rail Sealink will manage it initially for a year, during which details of a five-year agreement will be worked out. British Rail will carry any losses itself, but will share any profits 50-50 with the National Trust.

Riots 'threatened style of policing'

THE POLICE were in danger of taking on a "quasi-military" role at the height of last summer's riots, Mr John Alderson, Chief Constable of Devon and Cornwall, has told a Communist Party magazine.

In an interview published in Marxism Today, Mr Alderson said: "It appeared that it would not have taken much to drive the police into a situation where they had passed the point of no return in the style of policing which we like to see in this country.

"We would get a quasi-military police armed with weapons for shooting at people.

NatWest defends growth in banks' personal loans

BY WILLIAM HALL, BANKING CORRESPONDENT

OFFICIAL CRITICISM and anxiety about the recent rapid growth in bank lending for house purchase and consumer spending has been rejected by National Westminster Bank, which with its rivals is enjoying a boom in lending to the personal sector.

There has been growing concern in recent months that the High Street banks are concentrating increasingly on lending to personal customers while many of their corporate customers are finding it too costly to borrow money.

Personal lending offers the banks higher margins and lower risks than many types of traditional corporate lending.

Mr Robin Leigh-Pemberton, National Westminster's chairman, says in the bank's annual report for 1981 published today that there is no conflict between the growth in the bank's personal lending and its commitments to meet industry's financing needs when the upturn occurs.

NatWest's record foreign loans, Page 22

LT prepares for trouble as bus and tube fares rise

BY DAVID CHURCHILL

THE FULL impact of the 100 per cent rise in London Transport fares — and any consumer resistance to them — will be felt this morning when Londoners travel to work.

Although bus and underground fares rose yesterday, in line with the Law Lords' judgment, the full effect was mitigated by the maximum fare system which still operates on Sundays. Also, many passengers were tourists with special passes.

There were some reports of isolated incidents of passengers refusing to pay the new fares, but London Transport said last night it had no reports of any serious trouble.

But the campaign supported by some Labour members of the GLC for passengers to pay only the fares charged before the increase may be more effective this morning.

In anticipation of trouble, LT stickers are being prominently displayed at ticket collectors' booths to remind passengers of their legal obligation to pay the full fare.

LT also took advertising space in national newspapers yesterday to explain its difficulties. The advertisement, showing a hand holding a gun pointing at a LT roundel, has the caption "Fares up!"

It says LT regretted having to double its fares as a result of the Law Lords' judgment, but was hoping to limit "hurtful" effects by keeping the simple zonal fares system brought in last autumn.

LT adds: "We think that the reduced fares policy would have been right if it had not put such a heavy burden on ratepayers." Bromley Council's legal challenge over the supplementary rate imposed to pay for the reduced fares eventually forced LT to raise fares.

LT warns in its advertisement that London "may eventually come to a standstill" if not enough use is made of the transport network because of the higher fares.

At the lower fares, LT has had to cope with 7m journeys every weekday by 3m passengers.

Laser-scanning check-out growth likely

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

A SIGNIFICANT advance in the use of laser-scanning electronic check-outs in supermarkets is forecast today as delegates attend the fifth annual conference at Wembley, North London, on article numbering.

At present, only about six large stores are experimenting with scanning systems, but at least 25 could be doing so by the end of the year. For example, Tesco is committed to installing scanning systems this year in some 15 of its large stores.

Mr Jeremy Grindle, chairman of the Article Number Association and a director of J. Sainsbury, said yesterday: "Some retail chains are now reporting over 70 per cent of goods sold are bar-coded and the number of scanning stores is accelerating rapidly."

The Association, whose conference opens at Wembley today, is responsible for allocating to manufacturers special 13-digit product codes unique to each item.

The codes are translated into a bar-code — a series of black lines of varying thicknesses — which is then printed on a product. When the item is passed over a special low-power laser beam installed at the checkout, the number is scanned and the information passed on to the in-store computer which registers at the check-out the item's price.

The system, which is already in extensive use in the U.S., is faster and more efficient than conventional check-outs and also gives retailers greater stock control.

Next month, the association is publishing a comprehensive manual on the standards for paperwork and electronic data passed between manufacturers and retailers under the new system.

Goldsmith urges full privatisation

BY ALAN PIKE

THERE IS no half-way house between maintaining an enterprise in the public sector with strict Parliamentary control and handing over the provision of the service in its entirety to the private sector, Mr Walter Goldsmith, director-general of the Institute of Directors, said at the weekend.

Mr Goldsmith told a Bow Group conference in Oxford that the policy of treating nationalised industries as businesses at arm's length from government, subject only to subsidy and external financing limit control, had failed.

It was equally clear that measures short of full transfer of an undertaking to the private sector might weaken rather than strengthen the Government's privatisation campaign.

He urged the Government to abandon its "ill thought out conception of nationalised industries and public corporations as businesses." They were in fact arms of the State with their policies ultimately dependent upon the political complexion of the government of the day.

"The key question that remains to be answered is the drawing of the boundary between public and private sectors." Radical solutions were required to transfer resources and services to the private sector and confine the State's role largely to a regulatory function.

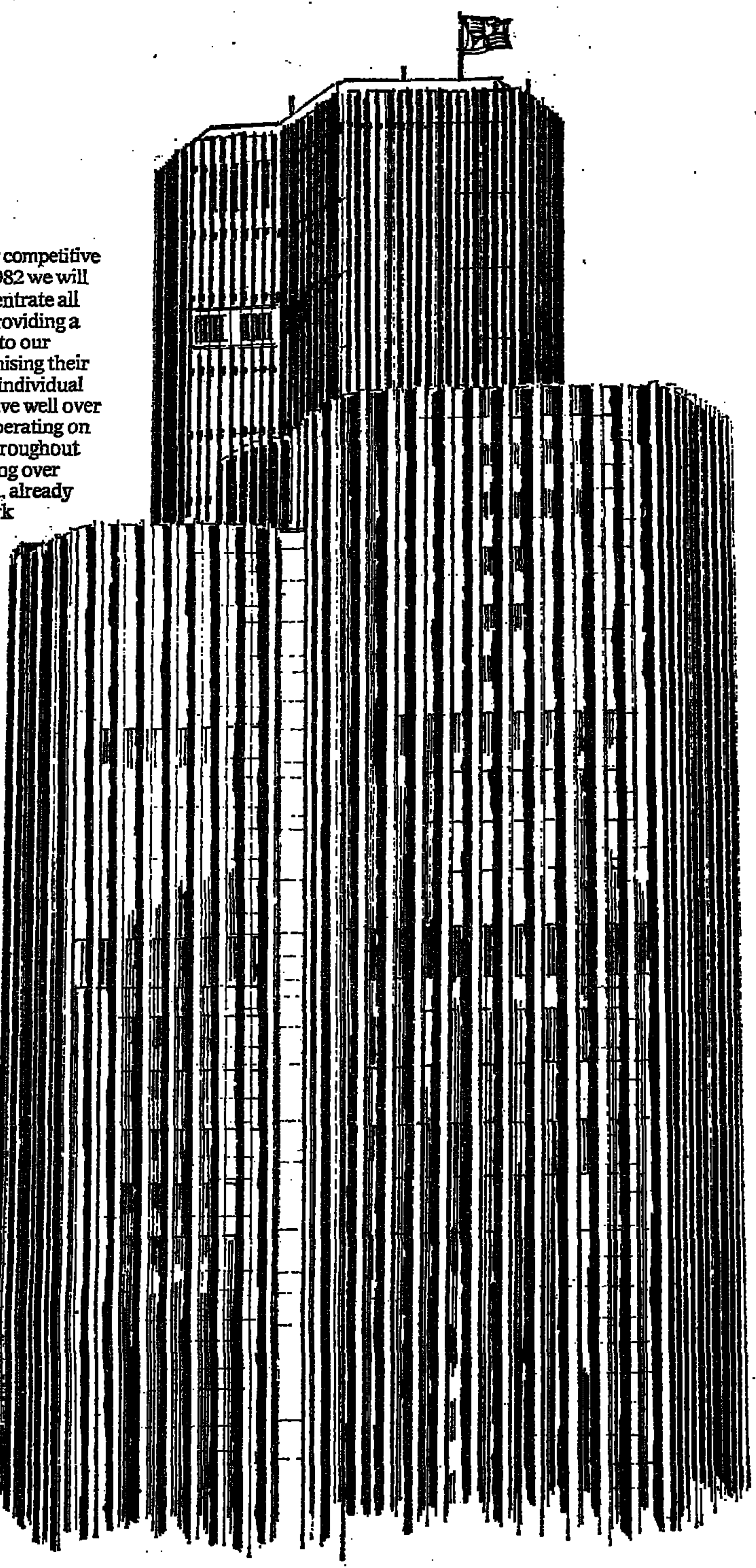
"A commitment now to this limited State role and a new drive to examine all the methods and financial techniques of transferring operating activities to the private sector offers enormous advantages."

BASE LENDING RATES

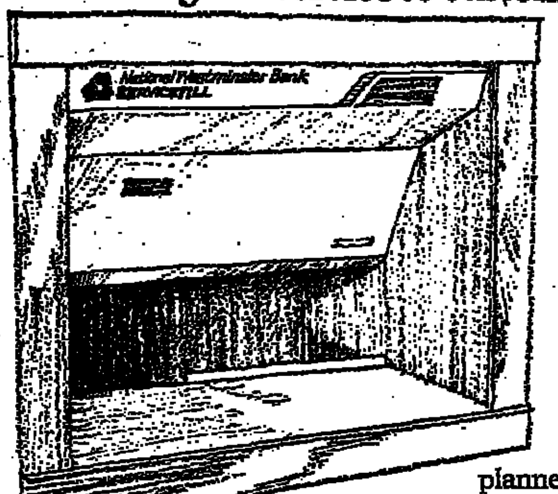
A.B.N. Bank	13 %	Grindlays Bank	‡13 %
Allied Irish Bank	13 %	■ Guinness Mahon	13 %
American Express Bk.	13 %	■ Hambros Bank	13 %
Amro Bank	13 %	Heritable & Gen. Trust	13 %
Henry Ansbacher	13 %	■ Hill Samuel	§13 %
Arbuthnot Latham	13 %	C. Hoare & Co.	†13 %
Associates Cap. Corp.	13 %	Hongkong & Shanghai	13 %
Banco de Bilbao	13 %	Kingsnorth Trust Ltd.	14 %
BCCI	13 %	Knowsley & Co. Ltd.	13½%
Bank Hapoalim BM	13 %	Lloyds Bank	13 %
Bank Leumi (UK) plc	13 %	Mallinhall Limited	13 %
Bank of Cyprus	13 %	Edward Manson & Co.	14½%
Bank Street Sec. Ltd.	15 %	Midland Bank	13 %
Bank of N.S.W.	13 %	■ Samuel Montagu	13 %
Banque Belge Ltd.	13 %	■ Morgan Grenfell	13 %
Banque du Rhone et de la Tamise S.A.	13½%	National Westminster	13 %
Barclays Bank	13 %	Norwich General Trust	13 %
Beneficial Trust Ltd.	14 %	P. S. Refson & Co.	13 %
Bremar Holdings Ltd.	14 %	Roxburghe Guarantee	14½%
Brit. Bank of Mid. East	13 %	E. S. Schwab	13 %
■ Brown Shipley	13 %	Slavenburg's Bank	13 %
Canada Perm't Trust	14 %	Standard Chartered	‖13 %
Castle Court Trust Ltd.	13½%	Trade Dev. Bank	13 %
Cavendish G'ty T'st Ltd.	15½%	Trustee Savings Bank	13 %
Cayzer Ltd.	13½%	TCB Ltd.	13 %
Cedar Holdings	13 %	United Bank of Kuwait	13 %
■ Charterhouse Japhet	13 %	Whiteaway Laidlaw	13½%
Choulartons	14 %	Williams & Glyn's	13 %
Citibank Savings	¶12½%	Wintrust Secs. Ltd.	13 %
Clydesdale Bank	13 %	Yorkshire Bank	13 %
C. E. Coates	14 %		
Consolidated Credits	13½%		
Co-operative Bank	*13 %		
Corinthian Secs.	13 %		
The Cyprus Popular Bk.	13 %		
Duncan Lawrie	13 %		
Eagil Trust	13 %		
E.T. Trust	13½%		
Exeter Trust Ltd.	14 %		
First Nat. Fin. Corp.	16½%		
First Nat. Secs. Ltd.	16½%		
Robert Fraser	14 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 10%, 1-month 10.25%. Short term £8,000/12 month 12.6%.
† 7-day deposits on sums of: under £10,000 10¼%, £10,000 up to £50,000 11%, £50,000 and over 11¼%.
‡ Call deposits £1,000 and over 10%.
‖ 21-day deposits over £1,000 11¼%.
§ Demand deposits 10¼%.
¶ Mortgage base rate.

A world's eye view from NatWest



Extending our service to customers



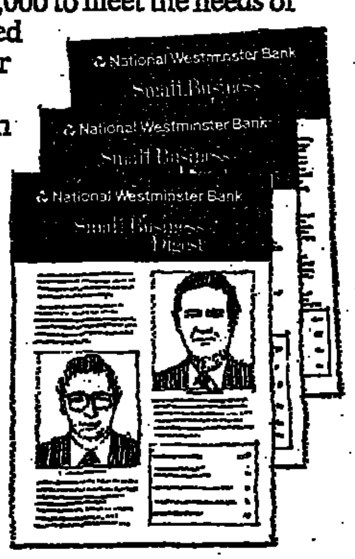
In the increasingly competitive environment in 1982 we will continue to concentrate all our efforts into providing a first-class service to our customers, recognising their special and often individual needs. We now have well over 500 Servicetills operating on a 24-hour basis throughout the U.K., dispensing over £40m each month, already the largest network of its type in Europe. It is planned to have a total of 1,000 of these machines by the end of 1983. Towards the end of this year we plan to introduce a new quick-action customer-operated cash dispensing machine sited inside branches.

The NatWest Mortgage Service

National Westminster Home Loans now provides a valued and convenient source of mortgage finance. The rapid success of our scheme shows there is substantial demand for this form of personal financial service from the banks and it is right that we should compete with the building societies on an appropriate scale.

We are now firmly established in this market and look forward to developing our service over the coming year.

NatWest and Small Businesses

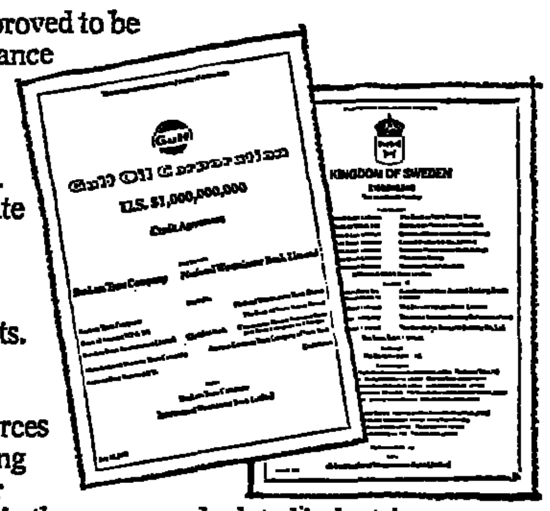


We have continued our policy of support for small businesses and have again held down interest rates on Business Development Loans whilst raising the upper limit for this facility to £250,000 to meet the needs of our customers. We completed during 1981, for instance, our 50,000th loan under our Business Development Loan Scheme and an increase of over 40% in lending to a total of £489m indicates the value and flexibility, as well as the competitiveness, of this kind of facility. We are also lending under the Government's Small Firms Loan Guarantee Scheme and our interest terms are the cheapest of the four major clearing banks.

Our international presence

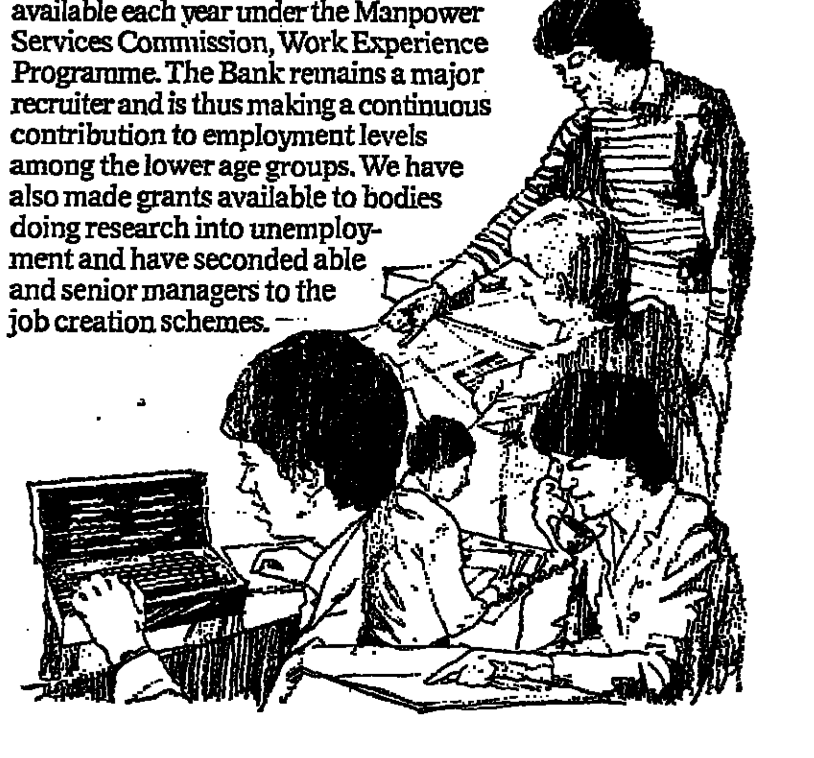
We see the Far East as offering major growth potential and in August an offshore executive office was opened in Singapore with a catchment area extending from China to Australasia and including Burma and the ASEAN countries. Our Canadian subsidiary applied for chartered status, now granted, and under its new name – National Westminster Bank of Canada, with an office opened in Montreal – we look to a material expansion of our business in that country to complement our substantial representation in the United States. In Germany, the activities of International Westminster Bank based in Frankfurt have been merged with our subsidiary Global Bank AG with effect from 4 January 1982 to form a new wholly-owned Group subsidiary called Deutsche Westminster Bank AG.

Corporate Finance



Our experience has proved to be of the utmost importance in meeting the sophisticated requirements of our corporate customers. We continue to operate in a very competitive environment, none more so than in the Eurocurrency markets. The need to make judicious use of the world's natural resources has meant a continuing involvement in major projects, particularly in the energy and related industries.

Youth opportunities with NatWest



Unemployment remains a pressing problem, especially amongst the young, and in recognising this we have increased the number of places made available each year under the Manpower Services Commission, Work Experience Programme. The Bank remains a major recruiter and is thus making a continuous contribution to employment levels among the lower age groups. We have also made grants available to bodies doing research into unemployment and have seconded able and senior managers to the job creation schemes.

A Royal Opening for the National Westminster Tower

The cover of our Annual Report shows the Royal Standard flying over the National Westminster Tower on 11 June 1981. This was truly a memorable occasion when we were honoured by a visit by Her Majesty the Queen to declare the Tower formally open.

1981 saw the introduction of the competition for the National Westminster Bank Trophy. After a series of exciting matches, the Trophy was won by Derbyshire – literally on the last ball – when they defeated Northants in a closely contested Final at Lord's.

Comments from the Chairman – Mr Robin Leigh-Pemberton

The improved profit is attributable to increased volumes of business handled by a marginally smaller number of staff using increasingly sophisticated electronic equipment. It is a very satisfactory performance particularly having in mind the 3% reduction in the average base rate in the UK and shows that our profits are little influenced by fortuitous circumstances outside our control.

The world economy during 1981 was very subdued, with low growth and rising unemployment in most countries. Governments in general were unable to adopt expansionary policies, because inflation remained high and payments imbalances were still very large. 1981 will be remembered as a frustrating year for the British economy and it has become apparent that the high inflation of past years is deeply embedded leaving British industry more seriously uncompetitive than remedial measures over the past two years have been able to correct. Government measures which are designed to reduce the cost burden on industry and to enable it to be more competitive are most likely to stimulate economic activity without introducing inflationary pressure. We therefore think it right to support the Government's broad monetary strategy; for us as a bank it has been a matter of judicious balance to ensure that at the same time we were not insensitive to the needs of our customers.

Our international banking policy remains appropriate to the difficult and highly competitive world scene, and we continue to seek good opportunities for growth of our existing business and expansion of our representation. We remain confident that our overseas loan portfolio is carefully balanced and distributed, and we shall continue to observe those principles of policy which we believe will contain our risks to acceptable levels. In the United States there is some prospect of recovery in the latter part of 1982 which should help to stimulate the economies of the industrialised countries in Europe.

I should say something by way of explanation of a policy of allowing loans for personal consumption to rise at a time when the demand from manufacturing and exporting customers remains below the level of available bank credit. Most personal loans are structured to be of short duration and repayment terms in our experience are scrupulously observed. We feel satisfied, therefore, in extending to that category of customer which contributes so much to our deposit base, a service which will not conflict with a commitment to provide adequate funds for manufacturing and exporting customers when the economy expands and the need arises.

Financial Highlights 1981

Ordinary share capital	£237 million
Reserves	£1,969 million
Money lodged	£39,709 million
Money lent	£31,791 million
Group pre-tax profit	£494 million
Retained profit	£273 million

Copies of the Report and Accounts, which include the Chairman's Statement may be obtained from the Secretary's Office, National Westminster Bank PLC, 41 Lothbury, London EC2P 2BP.

National Westminster Bank Group

One of the world's leading banks

UK NEWS—LABOUR

Town hall union casts political vote

BALLOT PAPERS are being sent out today to 780,000 white-collar town-hall workers, who serve councils of all shades of political opinion, on whether their union—the National and Local Government Officers' Association—should affiliate to the Labour Party.

The outcome of the ballot will be important for a number of groups:

● For the Labour Party—both in terms of a possible boost to its squeezed funds, and in terms of showing just how far the party's own internal divisions have damaged its credibility.

● For Nalgo, in testing whether Government cuts in local authority spending have politicised its traditionally neutral and moderate members to the extent that affiliation to Labour is now seen as a natural consequence of the union's affiliation to the TUC.

● For local authorities, particularly Conservative-controlled, some of which see even a move towards affiliation by their staff's union as undermining their own positions.

It seems an odd time for Nalgo to be considering affiliation. Labour's 52 affiliated unions have not been uncritical of the party recently.

They have been scathing about its financial organisation, and deeply concerned about its internal wrangling, fearful that its effect might cost Labour the next election—and, therefore, consign the unions to further years in the political wilderness.

Unions recognise that many of their members must have voted Tory in the 1979 election. For some, particularly the white-collar unions, the danger of the Social Democratic Party must be in part that it may prove more attractive to their members than the deeply divided Labour Party.

This is confirmed by a recent poll, which—admittedly, on a statistically shaky base—shows that 52 per cent of the staunchly Labour transport workers union thinks the TGWU should not be affiliated to Labour, and 62 per cent disapproves of any link with the SDP.

For a white-collar union like Clive Jenkins' ASTMS—which voted for Mr Tony Benn in Labour's deputy leadership contest after a conference decision—the results are even more disturbing. Seventy per cent are against the union's Labour affiliation, while 43 per cent—the largest figure of the unions surveyed—are in favour of a link with the SDP.

For Nalgo, by far the largest TUC union outside the ranks of Labour's affiliates, the figures show that some 81 per cent disapprove of affiliation, and only 11 per cent are in favour. Perhaps, though, this says more for the union's traditional political neutrality than about Labour, since the figures for a link with the SDP are almost the same—80 per cent against, and only 9 per cent in favour. Nalgo, which claims to be the largest solely white-collar union in the world, has not shirked from presenting to its members the choice they are facing.

On the ballot papers being sent out today by the independent Electoral Reform Society the arguments for and against affiliation are set out starkly above the voting form.

For affiliation, it is argued that such a step is necessary to bring Nalgo into the mainstream of the Labour movement: that the union should be involved where crucial decisions affecting its membership are made; and that the Conservative Government "is seeking to implement a wide range of

Philip Bassett looks at Nalgo's poll on Labour Party affiliation

policies which have serious, and potentially dangerous, implications for Nalgo members."

In addition, it notes: "A generally moderate union such as Naglo could exercise its influence within the Labour Party to prevent the adoption of extreme policies which might jeopardise the chances of a future Labour government being elected."

For moderates in the party, this element is crucial. It is widely realised that had Naglo been affiliated during the deputy leadership contest, its block vote would have assured Mr Denis Healey of an easy victory, rather than a nail-biting cliff-hanger as he scraped home.

Again affiliation, the ballot paper rubric stresses the importance of Nalgo maintaining its party political independence, since "local government members are expected to give impartial advice to majority groups in differing political persuasions."

It acknowledges that "presumably, a sizeable proportion (of Nalgo members) voted Conservative in the General Election and it would be wrong for Naglo to be identified with a political party which only a minority of its members is likely to support.

"Affiliation could lead to resignations and the process of making such a decision may create divisions and split the association."

On the party itself, it states: "The current state of the Labour Party gives great cause for concern. An increasing amount of the time and energies of both the constituencies and the unions seems to be taken up in bitter feuds between the Right and the Left."

Presentation of the arguments in this way has laid the union's 68-member national executive committee open to the charge that members are being confused by the issue because the NEC has given them no lead.

The Nalgo NEC originally voted 29-20, with 19 members absent, against a ballot on affiliation, although last year's conference — regarded in the union as being to the left of the NEC—voted against this position and decided to hold a ballot.

Accordingly, the NEC has been strictly neutral. It decided that none of the union's officials should speak on the issue, unless they were prepared to put both sides of the case.

Many, including Mr Geoffrey Drain, Nalgo's general secretary, are firmly pro-affiliation and so the effect of this decision has been to silence most of the officers.

The NEC has been strict in its interpretation of the 1913 Trade Union Act, which governs the setting up of a political fund which is a necessary pre-requisite to affiliating to a political party.

Internal union circulars to branches make it clear that contributions from Nalgo funds to campaigns on the issue would probably be unlawful; and even that such things as union premises, cars, duplicating and printing services may not be used. Branches have been instructed not to pass resolutions on the issue, to allow members a clear mind when they come to vote.

Accordingly, the campaign has brought into the open two groups pressing for affiliation: the longer-running Campaign for Nalgo Affiliation to the Labour Party (CNALP), which first properly raised the issue six years ago, and the Fight for Labour Affiliation Group (FLAG), comprising 22 executive members who disagreed with the NEC's formal position.

Both groups have been charged with being extremists. Furore surrounded Flag's formal launch at last year's TUC Congress in Blackpool, when it was discovered that two NEC members were also in the Communist Party. One Nalgo member welcomed the ballot, "so that a massive 'No' may and the image which the Labour Party presents to the public is one of an organisation tearing itself apart." finally lay to rest the militants' attempts to subvert Nalgo's traditionally neutral role."

CNALP activists argue that the view of Nalgo members as politically neutral is out of touch with the position of the membership, who are now predominantly low-paid clerical workers, rather than the senior officer grades who tended to dominate Nalgo.

They suggest that over the last 10 years, not only has the Nalgo membership doubled in size, but its complexion has altered. Change is working through the union from the bottom up.

Opponents of affiliation argue that this is not the case. No formal anti-affiliation bodies have been set up, but in some local authority areas—the English shire counties, for example—senior officers have been urging staff to vote in the ballot to have affiliation resoundingly rejected.

Pro-affiliationists acknowledge that there is likely to be a large majority against affiliation in the South, South-West and Wales, but that Scotland, the North-West and North-East may well opt in favour. The NEC has ruled that there will be no regional breakdown of the results.

Those working for affiliation agree that attendance at membership meetings has been low, and that a rejection of affiliation is likely. They point, however, to Nalgo's long history of thinking about TUC affiliation: the issue was raised 10 times since 1921, including six membership ballots, before being finally settled.

What the affiliationists are now looking for is a respectable vote that will mean the issue is not dead and buried. Another ballot is unlikely before General Election year in 1984, partly because the political climate then may well be sharper, and partly because of its costs—Nalgo officials estimate the current ballot could cost as much as £200,000, which even for a wealthy union like Nalgo, is not inconsiderable.

Ballot papers will be distributed by branches from tomorrow, but members will return them directly to the Electoral Reform Society for counting by April 23. The results will be announced to the NEC on May 8. If the unlikely happened, and it were accepted, proposals for rule changes necessary would go to a special conference in September, followed by another ballot on these changes.

TUC divided on plans for reorganisation

BY JOHN LLOYD, LABOUR EDITOR

THE TUC will divide sharply this week over the plan to radically reorganise the General Council, its supreme policy-making body.

General Council members believe they must come to a decision on reorganisation at there meeting on Wednesday —and that the far-reaching plan for change, which passed last year's Congress, has at best a 50:50 chance of survival.

The pressure to drop or neuter the idea, coming most strongly from the Transport and General Workers' Union has been intense. One major union leader — Mr Clive Jenkins, general secretary of the Association of Scientific, Technical and Managerial Staff—has switched sides to come out against reorganisation. Others may follow when the detailed proposals on how to effect the restructuring are debated.

The restructuring would, for the present, benefit right-led unions at the expense of the left. However, it would also benefit a few large, left-led unions such as the National Union of Public Employees and discriminate against small right-led ones like the Iron and Steel Trades Confederation.

The general principle of reorganisation, which received a 1.3m majority at the last Congress, was endorsed by 21 votes to 17 at January's General Council.

It is thought that the council majority may be whittled away once the detailed proposals spell out the loss of influence which many council members would suffer if the plan went through.

Three broad positions have emerged. First, a TUC document on change accepts the principle of "automaticity"—that is, that all unions of more than 100,000 members have representation on the council. It proposes two methods of securing proportional representation for smaller unions which would reduce their numbers on the council, but softens the blow by allowing them to retain their present representatives until they retire.

Mr Jenkins has proposed a second, compromise formula which would retain the present system of representation by trade group but widened to include some medium-sized unions not presently represented.

Thirdly, the TGWU and other unions want the whole plan dropped, but might swing in behind Mr Jenkins' compromise.

The TUC paper is likely to get approval from the TUC's "inner cabinet," the finance and general purposes committee, at its meeting today. The real struggle is expected to be joined at General Council on Wednesday.

ASTMS in move to step up managerial recruitment

BY BRIAN GROOM, LABOUR STAFF

THE GROWING inter-union competition to recruit managerial and professional staff was underlined at the weekend when the Association of Scientific, Technical and Managerial Staffs formed a national forum for them.

Mr Roger Lyons, ASTMS national officer, said the National Professional and Management Staffs Council—formed at a Manchester conference — was aimed at giving a louder collective voice to more than 40,000 ASTMS members in this group, without cutting across the autonomy of in-company bargaining units.

It is also aimed at boosting the unit's merger, affiliation and partnership efforts. Some non-TUC-affiliated associations with a total of about 15.00 members wil be invited to jon, as well as eight small TUC affiliates. These account for another 50,000 managers, and are in financial difficulties.

Falling memberships are spurring several white-collar unions to try to step up recruitment in managerial and professional grades. This has led to a flurry of publicity and mud-slinging.

The Electrical and Engineering Staff Association—the staff section of Mr Frank Chapple's Electrical and Plumbing Trades Union—has formed a similar council with a similar name. Mr Lyons said it had copied ASTMS's plans.

The EESA has agreed with the Engineers' and Managers' Association to aid the two unions' recruitment in engineering, shipbuilding and aerospace.

BUILDING AND CIVIL ENGINEERING

FINANCIAL PERFORMANCE

Industry's creditable effort

THE WOES of the construction sector have not been reflected in its financial performance. Not one major contractor cut its dividend payment for 1980: *the majority produced creditable accounts.* In the stock market, the contracting and construction sector was the best performer in 1981, outpacing the All-Share Index by more than 23 per cent.

Moreover, say stockbrokers Savory Milln in their latest Building Bulletin, the quoted companies' experience during 1981 *has been much better than* almost all commentators predicted at the outset of the year, and the current results season is once again showing a healthy set of figures from the majority of companies.

Last week Savory Milln held a Building Conference to launch their annual Building Book. Both the brokers and guest speaker *Peter Galliford,* chairman of Galliford Estates, produced reasons for these strong performances in a market which has been shrinking for 10 years.

Mr Galliford held that the proprietor influence in most of the major companies had led to continuity of management style, realistic accounting (particularly with regard to valuation of work in progress), and a flow of high calibre qualified civil engineers through the management structure to the top of the companies.

Mr Galliford advanced a number of other points, including the following:

● the big groups all have a wide range of activities and a wide geographical spread;
● there is considerable flexibility of resources and contracting, in particular, has a low level of fixed assets locked in;
● the contracting activity is cash generating;
● there has been considerable scope for reducing costs at grass root level—from buying advantages when suppliers and sub-contractors were weak, productivity gains and the quick completion of contracts;
● inflation of land values and work in progress coming through as profits in property and housing; and, finally,
● profitable North Sea opportunities.

Savory Milln agree on costs: "Construction inflation" during 1981 has been considerably less than the growth of prices generally." In particular the brokers highlight the squeeze imposed on sub-contractors and materials suppliers whose prices remained remarkably stable last year.

They also note that a number *of companies had incurred* serious losses on contracts, particularly in civil engineering, in the late 1970s and at the same time began to experience increasingly lengthy delays in the settlement of claims due from public sector clients. "We believe," says Savory Milln, "that *substantial* settlement of claims on these contracts were reached during 1981."

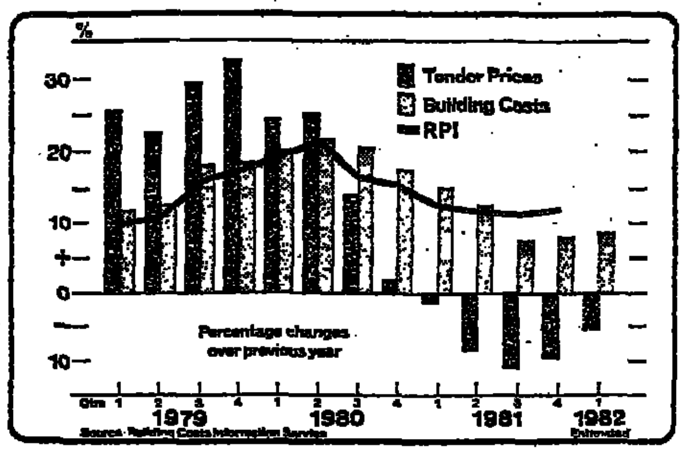
"Most companies' declared profits for 1981," say the brokers, "will have less to do with work carried out in 1981 than with jobs largely completed in previous years and claims on work from two to three years ago."

They add that a smaller workload and dramatically reduced capital spending on new plant, has maintained interest earning cash balances at high levels, and boosted historic cost profits through lower depreciation charges.

Finally, they say, the declining workload has led clients to investigate the competence and viability of contractors more closely, so that the quoted companies may have increased their market share at the expense of their smaller brethren—even though their prices are not necessarily the lowest.

Savory Milln see pressure on contractors' profit margins throughout 1982 and 1983. They *are looking for growth in* housebuilders, their suppliers and related materials producers.

WILLIAM COCHRANE



RECENT RESULTS achieved by a number of leading contractors appear even more creditable in the light of latest figures on construction tender prices produced by the Building Costs Information Service.

These show that by the end of last year, average tender prices had fallen by 13.2 per cent since the third quarter of 1980. Faced with the prospect of rapidly diminishing workloads contractors have been cutting margins in a bid to win what work has been available.

Last year total construction output in Great Britain fell by 12.3 per cent. This followed a 5.1 per cent decline in 1980. Since 1978 annual construction output has fallen by almost a fifth.

The fact that contractors have been able to live with reduced workloads and margins is partly explained by the fact that building costs have not risen as fast as some expected, when originally tendering for work.

According to the Building Costs Information Service of the Royal Institution of Chartered Surveyors, average building costs in 1981 rose by almost 8 per cent, compared with a 12 per cent increase in the Retail Price Index over the same period.

The squeeze on sub-contractors and building material producers has meant that the cost of a job to leading contractors has often been less than was budgeted for in the original tender price, says the BCIS.

Paradoxically some construction leaders are concerned that too fast a recovery in building activity—leading to an easing of competitive pressures on sub-contractors and building *material producers—could* produce a sudden escalation in costs and create new problems for the industry. If building costs were to rise sharply it could leave some contracts, won on low margins, in serious difficulty.

BCIS believes that tender prices having fallen since the third quarter of 1980 may now be starting to rise again; although it says that increases in 1982 are likely to be in line with or just less than the projected rise in annual inflation.

In 1982 BCIS is forecasting an 8.6 per cent increase in average tender prices and a 9 per cent increase in building costs. It says that the industry *will still* be competing fiercely for orders in the face of substantially reduced workloads, despite the 4 per cent rise in construction orders recorded last year.

ANDREW TAYLOR

INTERNATIONAL CONTRACTS

Hong Kong development

AS PART of its long-term development strategy the Hong Kong Government has commissioned a study to assess the development potential of Victoria Harbour, Hong Kong Island and Kowloon.

The study area, which contains some of the most commercially valuable land and highest population densities in the world, covers the port facilities, which are among the world's busiest.

A wide range of disciplines, including planning, engineering, sociology, demography, transport planning and economics, will be brought to bear on key issues, ranging from land-use, environmental and economic plans, population forecasts, housing and commercial development, transport requirements, land reclamation and site formation. Recommendations on future port requirements and operations will also be made.

Scott Wilson Kirkpatrick and Partners, British consulting engineers and transport planners, will lead the group supported by Robert Matthew, Johnson-Marshall and Partners, architects and town planners; Coopers and Lybrand Associates, economists and financial advisers; and Collier Petty of Hong Kong, chartered surveyors.

Total fee for the study, which starts this month with a final report to be submitted in mid-1983, is about £2m.

★

THE DOUGLAS GROUP of Birmingham announces the award to DOUGLAS-OHI (an associate company recently formed in Muscat, Oman with Oman Holdings International) of its first construction contract in the Sultanate of Oman. This is with Oman Shapoorji and covers the construction of 350 houses at the new town of Al Khobd, 50 miles north of Muscat. It is valued at around £5.25m and due to be completed in about 18 months.

★

INVOLVED IN the £43.7m six underpasses project in Dubai by Al Ashram is UK admixture maker, CORMIX, which will supply three of its speciality concrete auxiliaries. An estimated 130,000 litres of Cormix P4 will be needed for the 60,000 cubic metres of concrete to be placed; 20,000 litres of Cormix CM90W curing membrane and 5,000 litres of Cormix MRA1 will also be supplied.

★

THE STUDY and design of a water supply to a recreational complex in Jebel Hafit at Al Ain in the United Arab Emirates has been awarded to UK-based BALFOURS, consulting engineers.

Design work has already commenced and it is envisaged that a ground level storage reservoir of about 2,200 cubic metres, together with a pumping station, will be provided near the base of a 1,240-metre high limestone ridge near the city of Al Ain. A 12 km pumping main will be installed to deliver water to another 2,200 cubic metre reservoir at the top.

The contract is being undertaken on behalf of the Government by the Abu Dhabi Water and Electricity Department.

★

TILLDEN INDUSTRIES (UK) has signed a £129,000 contract with Makers Services of Bombay/Dubai to supply formwork and falsework for a schools contract in Baghdad.

★

A Japanese team has won an international tender in the United Arab Emirates for construction of a cement plant. NISSHO IWAI CORPORATION, a trading house, and UBE INDUSTRIES, a cement maker, jointly received an order from Sharjah Cement and Industrial Development Company, of UAE, for a full turnkey cement plant worth Y6bn (£14m). The plant, with a production capacity of 750,000 tons a year, will be completed by June 1983. The official Export-Import Bank of Japan will extend a five-year loan to support the deal.

Costain wins major U.S. mining contract

SUBSIDIARIES OF the British Costain Group and J. A. Jones Construction Co., of the U.S., have signed a major contract for the mining of lignite in North-West Louisiana, U.S.

Costain says the joint venture will entail an investment of between $50m and $60m (£33m).

The contract, with South-Western Electric Power Company and Central Louisiana Electric Company, is for mining and delivery of about 2.5m short tons of lignite annually, to fuel the Dolet Hills Power Plant, a 640 MW generating unit scheduled for operation in 1986, near Mansfield, Louisiana. The contract is subject to approval by the principal parties.

The joint venture comprises the U.S. and Australian subsidiaries of the Costain Group, Costain Holdings Inc. with a 60 per cent holding, Costain Australia with a 20 per cent holding and J. A. Jones Construction Co., with a 20 per cent holding.

Construction on the mine will begin in late 1983 and mining should start in late 1985 on an expected 25-year minimum operational span.

Revenue is likely to be in the region of $30-40m (£22m) per year, with an escalation clause.

About 300 acres of leased land will be mined and reclaimed annually with an average annual overburden removal of 28m cu yds. Overburden will initially be removed by dragline, and a second dragline and bucket wheel excavator system will be brought into use later in the *life of the mine.*

Orders for this equipment are expected to be placed soon, most probably with U.S. companies.

The power generating unit will be near the mine and the lignite will be moved by conveyor belts to the plant (the system known as "dedicated mining").

Mined land will be reclaimed in accordance with Federal and State guidelines as the lignite is extracted. Pollution control equipment at the plant includes flue gas scrubbers and electrostatic precipitators.

Costain Group's mining interest were expanded recently with the purchase of a 50 per cent share in Pyro Energy Corporation's coal mining properties, preparation and shipping facilities in Western Kentucky and Southern Illinois.

UK CONTRACTS

£8m for Monk

A VARIETY of work with a total value of £8.1m has been won by A. MONK AND CO., including a £1.7m project for tank foundations and road works to be carried out for Lever Bros., at Warrington.

Another major job for Cleethorpes Borough Council is a £1.5m scheme for the construction of Humberston Trunk Sewer. This involves laying five km of concrete pipe of varying diameters in heading, and 900 metres with both temporary and permanent piling.

Other contracts are from British Railways Board, Shell UK, North East Electricity Board and North Yorkshire County Council.

★

LESSER DESIGN AND BUILD will undertake the total refurbishment of London's Ivanhoe Hotel for Crest Hotels at a cost of £1.4m. The scope of work includes upgrading conference accommodation, providing a new games room, restoration of the bar area and certain internal and external details with overall upgrading of hot and cold water supplies and electrical services.

★

YORK MOUNT GROUP, a company recently floated on the unlisted securities market, has obtained over £2m worth of building and partitioning contracts including £1m for a superstore at Boroughbridge, North Yorks, for Castlecare; £300,000 for an extension to the existing factory of E. W. Thomson and Sons, Kendal; *a £250,000 contract* for the refurbishment of the David Dixon and Son (Leeds) Mill on Kirkstall Road, Leeds; and £220,000 from O'Donnell Estates, and Evans of Leeds, all to be carried out by York Mount Construction. Walker Partitions has 12 contracts worth a total of £520,000 for partitioning work, the largest of these being *£250,000 from Systime.* Another subsidiary, York Mount Properties has purchased land at Queens Road, Leeds, for £20,000 and has obtained planning permission for flats. It has also purchased land in Westgate, Leeds, for £126,000, subject to permission being granted for a 16,000 sq ft office block. A further office block has been purchased in Pilgrim Street, Newcastle, for £67,500 for refurbishment and letting.

★

BIGGS WALL AND COMPANY, Arlesey, Bedfordshire, is to construct a 22,700 cu metres (5m gallons) capacity reinforced concrete reservoir at Whitchurch, Bucks, under a contract worth £765,000 awarded by the Thames Water Authority, Vales Division.

★

A glazing contract worth more than £500,000 has beed awarded *to JAMES CLARK AND EATON.* The order placed by Elemeta Windows is for the supply and installation of double glazed Pilkington Suncooled units for an office complex at Goodmans Yard, in East London.

A second glazing contract worth more than £121,000 has been placed by timber window makers East and Son of Berk*hampstead for the supply of* glass and glazing all external windows at Central Telegraph Office in St Martins Le Grand for the Post Office.

★

CONTRACTS WORTH £3m are announced by companies in the London and Northern Group, including a £½m worth going to Border Engineering for improvements to Fallohill Railway Bridge on the A7 trunk road, new offices for Leeds Permanent Building Society at Lancaster, roofing and heating work at Fairfield School, Cockermouth, and re-furbishing at Victoria Place, Carlisle for Cumbria Council.

The European Earthmovers division has more than £2½m worth for a two-year major earthworks scheme for Tarmac on the A9 trunk road and the loading and hauling of dug rock *from Orrock Quarry in* Fife to Moss Moran for Wimpey.

★

FRENCH KIER CONSTRUC*TION has been awarded a con*tract by BP International for the construction of a new 3-storey office block at Harlow, Essex. The contract is valued *at £1.4m* and covers 40 weeks duration, commencing this month.

★

HENRY SIMON, Stockport, *has won a £1.3m contract for the* design, supply, erection and commissioning of a flour mill for Wheat Industries Refineries, an Irish-Australian company, of Dublin. The new mill is to be part of a £20m-plus development of a greenfield site at Ringaskiddy, Cork.

★

WILCON CONSTRUCTION is building an office block at Billing Road, Northampton for Wilson (Connolly) Properties, under a £647,000 contract.

★

BOVIS CONSTRUCTION has been awarded a £1.5m contract by J. Sainsbury to extend the store at Christchurch, Dorset.

Recycling old road surfaces

ALTHOUGH IN the UK the practice of recycling old bituminous road surfaces is still viewed with some suspicion, in the U.S. it is widely used. In some States contractors are legally required to use proportions of recycled material *varying from 30 to as high as* 70 per cent.

Last year Tarmac Roadstone (Northern) opened a plant at Renishaw, near Sheffield. This *Parker drum-mix equipment* has been taking cold planings from the M1 which have been recycled and used again on roads in Nottinghamshire, *Derbyshire and Yorkshire.*

With maintenance and materials costs rocketing, particularly bitumen and oil, but including aggregates, the recycling approach is increasingly attractive, and not only for asphalt. Parker also has plant which can take planings from concrete roads and produce acceptable aggregate.

The trial surfaces so far laid by Tarmac have proved to be much more acceptable than was initially expected. Savings in cost of replacement materials for roads under repair using the recycled asphalt have turned out to be as high as 25 per cent.

Latest development in this field *is the introduction of two* small cold planers by Arrow Construction Equipment, Newcastle. The company already makes cold planers in the two-metre wide range, and the two smaller machines, with cutting widths of 300 and 450 mm, enable these machines to plane roads with minimum traffic disruption, and to work on narrow runs such as footpaths. Maximum cutting depth is 115 mm.

Bomag (Great Britain), Maidstone, has just launched what *the company describes as* a mini asphalt/macadam recycler.

Capable of handling up to 8 inch chunks of planed asphalt, the machine, designated AR6, basically consists of a revolving drum and propane burner. Material to be recycled is fed into the drum via a hopper, and after 8 to 10 minutes processing is discharged at rates up to 6 tonnes/hour. The company suggests the machine, which can be towed by a car, it suitable for pot hole repairs, trench reinstatement and footpath repairs. An AR6 costs £6,750.

TONY FRANCE

What's new in building

Meeting the demand for a high capacity system for use on large roof areas such as warehouses, factories and *agricultural buildings is* Hunter's ribbed guttering (01-855 9851). The ribs on the 160 mm guttering promise improved longtitudinal *strength, reduced risk of* blockage by leaves and increased flow capacity round angles.

The guttering at 160 mm, and pipework at 110 mm, is complete with all necessary outlets, brackets, angles, connectors, bends, branches and shoes.

★

Insulated cladding said to reduce intestitial condensation and increase insulation value by up to 10 per cent over others is suggested for use in sports halls, swimming baths, catering establishments or any building where the internal heat level is likely to produce water vapour. *Telatherm comes from Teal* Claddings of Telford (0952 585580).

★

Airport visual control rooms can benefit *from* an electrical powered anti-condensation, automatically controlled window system called Sonarview. This incorporates solar retardant glass laminated with webbing which acts as the heating element to prevent any condensation or icing, claims Aluminium Alloy Fabrications of Woking (048 62 5744).

★

In terms of strength and security a new high security inward opening casement window suggests an advance in the UK secondary double glazing market. This is Selectaglaze's casement unit in aluminium with a multi-locking espanol bolt system, *said to provide specific* application in high security areas. Operating handle for the bolt is available as standard, removable or key operated (St Albans 64345).

★

A one-coat rendering method of damp control treatment has now been perfected by Watts Blake Bearne and Co. of Newton Abbot, Devon. This is called *Devonite, is said to allow* walls to breathe, provides insulation, and inhibits salts. More on 0626 2345.

★

Designed for fastening insulation board to metal deck prior to fixing a roofing material is a new tool from British Industrial Fastenings. Designated Pneutek PT504 it uses a helical knurled pin to effect a firm mechanical fix, as opposed to adhesives which can lead to delamination of the board. The 85mm diameter plastic washer will not rust and is designed to combat uplift. The tool can be modified if a slightly flatter metal washer is required says BIF (0296 81341).

"What's The Flaming Difference" is a new publication which, with photographs, highlights different performance characteristics of various types of rigid foam plastic insulation materials when exposed to large-scale fire tests. From Celotex, 27 St. Mary's Road, London, W5.

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—
Glasgow Stockholders Tst., 181-195, West George Street, Glasgow, 12.00
Temple Bar Inv. Tst., Electra House, Temple Place Victoria Embankment, 10.45

BOARD MEETINGS—
Finals:
Arncliffe
Beatson Clark
Cattle's
Ewart Building and Construction
Relyon P.B.W.S.
Squirrel Horn
Williams and James (Eng.)
Interims:
Mazin (J. and J.) Paper Mills
Reliable Props.
Second City Props.
Trafford Park Est.
Wyatt (Woodrow)

DIVIDEND & INTEREST PAYMENTS—
Exchequer 9½pc 1982 4¾pc. Do. 12pc Conv. 1985 6pc. Do. 12½pc 1990 6¼pc. Do. 13½pc 1992 6¾pc
Mountview Est. 0.7p
Siam Commercial (Cayman) Gtd. Fltg. Rate Notes 1984 $81.95
Wagon Ind. Hldgs. 2p

TOMORROW

COMPANY MEETINGS—
Ashdown Inv. Tst., 120, Cheapside, EC, 3.00
Bradbury Wilkinson, 285, Burlington Road, New Malden, Surrey, 12.00
Emms (Theodore), Chamber of Commerce, Birmingham, 3.00
Meggitt Hldgs., East Cliff Court Hotel, Bournemouth, 12.30
Pleasurama, The Churchill Hotel, Portman Square, W, 10.30

BOARD MEETINGS—
Finals:
Brent Chems. Int.
Equity and Law Life Assnce. Society
Fairclough Construction
Fife Indmar
Finlay Packaging
Firmin
Jove Invst. Tst.
London and Scottish Marine Oil
Smith and Nephew
Tomatin Distillers
Waterford Glass
Watmoughs
Willis Faber
Woodward (H.)
Interims:
Bell (Arthur)
British Car Auction
Paterson Zochonis
Peachey Prop.
Ricardo Consulting Eng.

DIVIDEND & INTEREST PAYMENTS—
Essex Water 3.5pc (fmly. 5pc) Cons. 1.75pc. Do. 3.5pc (fmly. 5pc) 1.75pc
Girozentrale Und Bank Der Osterreichshen Sparkassen AG Fltg. Rate Sub. Notes 1991 $35.16
Glasgow Stockholders Tst. 1.4p. Do. 5pc [illegible]

Edinburgh American Assets Tst., 1, Charlotte Square, Edinburgh, 12.00
Gopeng Cons., Winchester House, 100, Old Broad Street, EC, 12.30
Howard Machinery, Oxford House, Oxford Street, Newbury, Berkshire, 11.00
Jones (Ernest) (Jewellers), Shira House, 1-7, Harewood Avenue, NW, 12.00
Kennings Motor Grp., Manor Offices, Old Road, Chesterfield, 12.00
Moorside Tst., 44, Bloomsbury Square, WC, 10.30
Prestige Grp., Prestige House, 14-18, Holborn, EC, 12.00
Scottish American Inv., 45, Charlotte Square, Edinburgh, 12.00
Westminster Prop. Grp., The Great Eastern Hotel, Liverpool Street, 11.00
York Waterworks, Lendal Tower, York, 11.00

BOARD MEETINGS—
Finals:
BICC
Bestobell
Church
Clay (Richard)
Clifford's Dairies
DRG
Eagle Star
Hepworth Ceramic
Laing Props.
Lane (Percy)
London and Manchester
Nichols (J. N.) (Vimto)
Prudential
Rockware
Rotork
Slough Ests.
Vickers
Interims:
Armstrong Equipment
Bluebird Confectionery
Maynards
Sirdar
Walker (James) Goldsmith and Silversmith

DIVIDEND & INTEREST PAYMENTS—
Banco De La Nacion Argentina Fltg. Rate Notes 1986 $87.36
Cambridge Water 3.5pc (fmly. 5pc) Cons. 1.75pc. Do. 4.2pc (fmly. 6pc) Red.Pf. 1984-86 2.1pc. Do. 4.55pc (fmly. 6½pc) Red.Pf. 1982-84 2.275pc
National Bank of Canada Fltg. Rate Db. 1988 $435.22
Sanwa Int. Finance Fltg. Rate Notes 1988 $867.29
Sidlaw Inds. Ln. 3¾pc
Stewart Plastics, 0.7993p
Urquijo Int. NV Gtd. Fltg. Rate Notes 1986 $89.24

THURSDAY, MARCH 25

COMPANY MEETINGS—
Arlen Electrical, The Kingsley Hotel, Bloomsbury Way, WC, 2.30
Birmid Qualcast, The Midland Hotel, New Street, Birmingham, 12.00
Bullough, 20, Cannon Street, EC, 10.15
Cardinal Inv. Tst., 1, Laurence Pountney Hill, EC, 11.00
[illegible]

Imperial Grp., The Park Lane Hotel, Piccadilly, W, 12.00
River and Mercantile Tst., 44, Bloomsbury Square, WC, 12.15
River Plate and General Inv. Tst., 44, Bloomsbury Square, WC, 11.15
Scottish Agricultural Inds., The North British Hotel, Princes Street, Edinburgh, 12.00
Throgmorton Tst., Winchester House, 100, Old Broad Street, EC, 12.30
Tribune Inv. Tst., 6, Bishopsgate, EC, 2.30
Utd. States and General Tst., P & O Building, 122, Leadenhall Street, EC, 2.30
Webber Electro Components, The Holiday Inn, Bristol, 11.00
West Coast and Texas Regional Inv. Tst., 67, Lombard Street, EC, 12.30

BOARD MEETINGS—
Finals:
Automated Security
BSA
BSR
Bestwood
Bemrose
Cambridge Electronics
Friedland Doggart
Leyland Paint and Wallpaper
Manders
Matthews (Bernard)
Metal Closures
Mixconcrete
Noble and Lund
Ocean Transport and Trading
Tricentrol
Utd. Newspapers
Interims:
Amalg. Distilled Products
Fairview Est.
Howden Grp.
Local Inds.
Strong and Fisher

DIVIDEND & INTEREST PAYMENTS—
Allied Suppliers Hldgs. Lns. 5, 5¾pc
Assoc. British Foods Lns. 2¾, 3¼pc
Barker and Dobson Ln. 6pc
Black and Decker Manufacturing 19cts
Bullough 6.35p
Centrovincial Est. Ln. 3½pc
Chapman Inds. Db. 4¼pc
Charlwood Alliance Hldgs. Ln. 3¼pc
Chesebrough-Ponds 43cts
Halliburton 40cts
Hanson Tst. Ln. £0.5.61 (1st payment period 28.8.81 to 25/3/82). Do. Ln. 3¼pc
Intereuropean Prop. Hldgs. Proposed repayment of the 10pc 1st Mtge. Db. 1992-97 at par with accrued interest.
Lonrho Dbs. 4½ 6.1875 6.4375pc
M and G Commodity and Gen. Fd. Inc. 1.7p
Manchester 3pc Red.Cons. 1928 1½pc
Meat Trade Suppliers 1.75p
Metropolitan Water Bd. Chelsea WW 2¼pc Db. 1897 1¼pc
Mid-Sussex Water 3.325pc (fmly. 4¾pc) Irrd.Pf. 1.6625pc. Do. 3.5pc (fmly. 5pc) Red.Pf. 1985-87 1.75pc
Moorside Tst. 2.5p
[illegible]

Yorks Waterworks [illegible]

FRIDAY, MARCH 26

COMPANY MEETINGS—
Bournemouth and District Water, 121, Queen Victoria Street, EC, 12.00
Drayton Commercial Inv., 117, Old Broad Street, 12.30
Folkestone and District Water, Cherry Garden Lane, Folkestone, 11.00
Goode Durrant and Murray Grp., [illegible] House, [illegible] Street, EC, 12.00
Hestair, Hestair House, 339-7, Euston Road, NW, 12.00
Hill and Smith, The Plough and Harrow Hotel, Hagley Road, Edgbaston, Birmingham, 12.00
Rehoboy [illegible], 21, Moorfields, EC, 2.30
Scottish Utd. Investors, [illegible] Street, Glasgow, 12.00
Sutton and District Water, 59, Gander Green Lane, Cheam, 12.00
Ward Hldgs., Winchester House, 100, Old Broad Street, EC, [illegible]
Willoughby's Cons., 120, Cheapside, EC, 12.00

BOARD MEETINGS—
Finals:
Anglo-African Finance
Hurst (Charles)
Malvern
Interims:
Cassell
Cope Allman Int.
Manson Fin. Tst.
Newman-Tonks
Pifco

DIVIDEND & INTEREST PAYMENTS—
Agricultural Mortgage 14¼pcDb. 1984 7⅛pc
Allied Colloids Grp. 0.708p
Ashdown Inv. Tst. 4.5p
Barton Grp. 6pcPf. 2.1pc
Bradbury Wilkinson 6pc Ptg.Pf. (Cm. Prov) 4pc
Caledonian Assoc. Cinemas 5.25pcPf. 2.625pc
East Surrey Water 8pcRed.Pf. 1988 4pc. Do. 10pcRed.Pf. 1986 5pc
Exchequer 12¼pc 1999 6⅛pc
Gold Fields of South Africa [illegible]
Int. Inv. Tst. of Jersey 5p
Massmutual Mortgage and Realty Investors 44cts
Petrolane Inc. 12.5cts
River and Mercantile Tst. 5p
River Plate and Gen. Inv. Tst. Dfd. [illegible]
Smith Bros. 0.5p
Sonic Sound Audio Hldgs. 2.24p
Sutton District Water 7pc (fmly. 10pc) 3.5pc. Do. 4.9pc (fmly. 7pc) [illegible]. Do. 3.15pc (fmly. 4½pc) Pf. [illegible]. Do. 3.85pc (fmly. 5½pc) Red.Pf. [illegible] 1.925pc
Thomas Nationwide Transport [illegible]
Throgmorton Tst. 3.75p
Tomkinsons Carpets Db. 3¼pc
Treasury 12pc 1984 6pc. Do. [illegible] 2004-08 6¾pc
Utd. Gas Inds. Lns. 4½ 5.0625pc

DIVIDEND & INTEREST PAYMENTS—
Utd. States and General Tst. 7.8p
Updown Inv. 2.25p

SATURDAY, MARCH 27

DIVIDEND & INTEREST PAYMENTS—
Armitage Shanks Grp. Ln. 5pc
[illegible]

APPOINTMENTS

New head of finance at Showerings

Mr Peter Rosewell has been appointed finance controller of SHOWERINGS, VINE PRODUCTS AND WHITEWAYS, the wine, spirits and soft drinks division of Allied-Lyons, effective from March 8.

★

LLOYDS LIFE ASSURANCE has appointed Mr Brian Coyle as regional manager, Scotland and Mr John O'Rorke as assistant manager, mass marketing division.

★

Mr George Gonszor, Mr Philip Gooding, Mr Leslie Goodman and Mr Donald Rushton have been appointed to the board of HILL SAMUEL AND CO from April 1.

★

Mr Gilbert C. Hinckley has been appointed group managing director of the SANDIRON HOUSE GROUP OF COMPANIES, Sheffield, as from March 15.

★

BLANFORD AND HOUDRET, the London-based Baltic air brokers and general sales agents charter in the UK and Ireland for Aviaco, Spain's foremost scheduled and charter airline, announce two new board appointments. Mr Eddie Tribe, formerly managing director, now becomes chairman and director and Mr Mike Shiman is appointed managing director.

★

Mr Neil Kennedy has been appointed a director of BERRY ASSET MANAGEMENT.

★

THE WIGHAM POLAND GROUP announces that Mr Richard Allardyce has joined the group and has been appointed to the boards of Wigham Poland Oil and Gas and Wigham Poland Marine.

★

Mr Nick Scott has recently been appointed financial director of CENTRE-FILE, National Westminster Bank's computer bureau subsidiary.

★

Mr Stephen Hemsted and Mr Mark Miller have been appointed to the board of the NATIONAL MAGAZINE COMPANY, wholly owned subsidiary of the Hearst Corporation.

★

HARGREAVES REISS AND QUINN announces that Mr Alistair Forsyth, currently managing director of the parent company Caledonian Produce (Holdings), has been elected chairman.

★

Mr Bengt Duner who is group managing director of SAFVEANS, and chairman of Ekman, and Stuart Scholes, head of the packaging films and board division, have been elected as directors of Ekman Cleave.

★

Mr Derek Austin Wallace Newman has been appointed deputy chief executive of ALLIED ARAB BANK in succession to Mr Peter Carlyon Rees, who has retired. Mr Rees remains as a director on the board.

★

The newly appointed chairman of GOLDENLAY is Mr H. D. Lloyd, chairman of the board of YEP, while Mr D. M. Humphrey—chairman of Thames Valley Eggs—becomes deputy chairman. Both appointments are for three years.

★

BRITISH GAS has appointed Mr Allan McKay to be deputy chairman of East Midlands Region and Mr George Langley deputy chairman of North Western Region. Both are currently regional directors of finance.

★

HORSTMANN GEAR GROUP has appointed Mr Dudley G. C. Barker as financial director. He was finance director of Newalls Insulation, a member of the Cape Industries.

★

Mr John Briggs has been appointed to the board of UNITED CERAMIC DISTRIBUTORS as a non-executive. Mr Briggs is a director of Biagden Industry, Bunzl, Norcros and British Rail Western Board.

CONTRACTS AND TENDERS

COMPANY NOTICES

LEGAL NOTICES

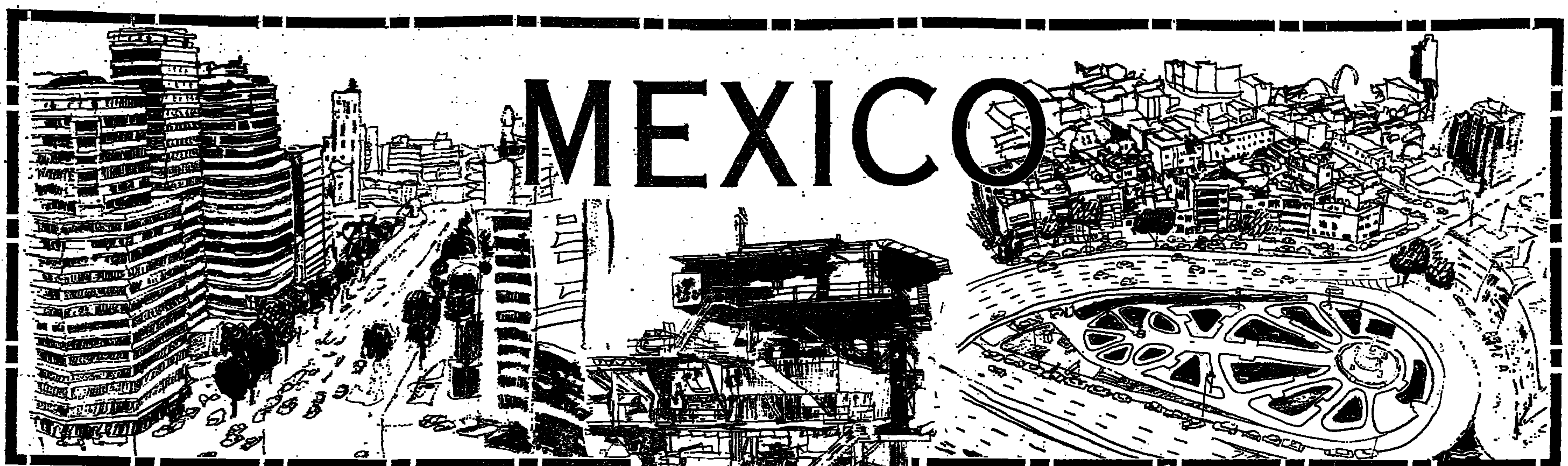
EDUCATION

CLUBS

ART GALLERIES

FINANCIAL TIMES SURVEY

Monday, March 22, 1982



BOOMING MEXICO CITY SYMBOLISES THE COUNTRY'S GROWING WEALTH. THE SKETCHES ABOVE ARE OF THE COMMERCIAL SECTOR (LEFT) AND THE BUSY TRAFFIC PATTERNS (RIGHT) IN THIS CAPITAL OF 12M INHABITANTS. CENTRE, ONE OF THE OFFSHORE OIL PLATFORMS PRODUCING THAT WEALTH. THE ILLUSTRATIONS ARE PART OF A SERIES IN THIS SURVEY BY JIM ANTONIOUS ARIBA, CONSULTANT ARCHITECT ON A NUMBER OF MEXICAN URBAN AND RURAL STUDIES.

BY HUGH O'SHAUGHNESSY

Latin America Correspondent

MEXICO is a very chastened place these days. For a decade it had lived on a euphoric wave of partially realised hopes of economic bonanza. And any other country would have done the same.

In 1970 there seemed little to halt the inexorable slide towards economic crisis as Mexico found itself unable to pay for the imports needed to keep its industry growing and provide the jobs needed to keep the unemployment situation moving from the grave to the disastrous. In that year a diplomat in Mexico City commented to me that, as far as he was concerned, the question was not *if* there was going to be another wave of revolutionary insurgency but *when*. "People are beginning to starve in the countryside and they'll soon start rioting," he said.

Then the oil boom started.

Petróleos Mexicanos (Pemex), the state oil monopoly about which the international oil companies had been publicly dismissive for years began to show unsuspected strengths. It started to reappraise its existing geological information and drill new exploratory wells with very remarkable results.

In the years between 1971 and 1976 Pemex spent 34 per cent more on investment than in its previous 32 years of existence. During those six years, which coincided with the term of President Luis Echeverria, a new plant was inaugurated on average every 34 days.

As billions of barrels of new reserves were discovered production shot up and the price did the same. Today oil provides some 70 per cent of all export revenue and has certainly kept the balance of payments and government revenues from undergoing the severe crisis which was looming in the early 1970s. Politicians forecast that the economy would grow for years at 10 per cent a year.

In the past few months however the boom has turned into a nightmare. Last year the Government was so sure that the good times would continue indefinitely that it sacked the head of Pemex when he reduced prices of crude exports in line with the demands of the market and raised prices back above previous levels.

The gods have since taken their revenge for such a presumptious act. Customers boycotted Mexican oil and Pemex was again obliged to cut prices in order to retain markets. At that moment the bankers who had been pressing loans on Mexico, a country they regarded as one of the brightest prospects in the developing world, decided that the outlook was now gloomy and ceased courting potential Mexican borrowers.

At the same time Mexicans and foreigners alike woke up to the fact that the peso had become considerably overvalued as the rate of its depreciation against the dollar was nowhere near matching the gap between the levels of inflation in the U.S. and that in Mexico itself.

A further worry came with the realisation that Mexico owed the rest of the world around $70bn, a figure comparable to the often quoted debt burden of Brazil.

In a very short time sentiment, domestic and foreign, did a remarkable turnabout and everything that a year ago had been taken as a sign of Mexican economic strength—its oil resources, its proximity to the U.S. market, its success in raising tens of billions of dollars on the euromarkets, the relative stability of its currency—became bear points.

As the peso tumbled last month in a massive devaluation which brought it down from 27 to 45 to the U.S. dollar fears were again being expressed that bad economic prospects would bring about political crisis. The pessimists argued that the rate of inflation, which is forecast by ministers to be not less than 50 per cent this year, would bring severe hardship to labour which would in any event be hit hard by the slowdown of the economy prompted by the drop in oil prices.

With President José López Portillo and his designated successor Sr Miguel de la Madrid unable or unwilling to defend the existing standards of living of workers, the argument went, the mistrust of government and the disappointment of hopes would sooner or later well up into political protest and possibly even insurrection.

As the Government and public opinion begin to settle down after the trauma of the devaluation and to be reconciled to the prospect of several years of growth of not more than about 4 per cent a year there are signs that the state of panic is lifting. Mexico is realising that its problems are neither unique in the developing world nor insoluble.

Pemex is pushing ahead with an exploration and sales campaign. By the end of the year the company should with little difficulty have reached a daily production target of 3m barrels and have substantially increased the proportion of saleable light Isthmus crudes to the less sought after heavy Maya crudes.

Having learnt its lesson in 1981, the state oil company is taking care not to let its export prices get out of line with the market. As a new exporter, it is keen to extend its markets and consolidate customer loyalty. When President Echeverria decided not to take Mexico into Opec he pledged that the country would never undercut Opec prices.

With Opec at sixes and sevens about its pricing policy the Mexicans feel that their Opec colleagues have made it difficult for them to continue with such a pledge. Mexico is making sure that it will not be bested in any price war.

There are indications, too, that an export consciousness is dawning — or being forced — on the rest of industry. "Hitherto we have developed our industry on the high plateau in the centre of the country. Our ports are bad and we never knew very much about ships," remarked one industrialist.

"Now with a recession squeezing demand at home and the peso devalued abroad we'll have to learn to export," he said.

As market forces have their effect on the economy the powerfully organised political structures of the country look likely to dampen whatever impetus for revolt there arises in Mexico. Government and ruling party are almost consubstantial in Mexico. For 50 years the Institutional Revolutionary Party (PRI) has been running Mexico in a structure which, if pluralistic in form, has never allowed any rivals near the seats of power.

The permanence of the PRI in power has lead to some moribund politics. The opposition parties know that they are going through a mime as they postulate their candidates for president and the voters know that a vote against the PRI is a wasted vote.

Apathy about the electoral process became so widespread that the Government recently introduced reforms to encourage some real, though carefully controlled, opposition. No one doubts however that Sr de la Madrid as PRI presidential candidate will be returned with a big majority in the July 2 elections.

The PRI way of politics has survived because those who benefit from the system are allied to those who see the PRI as the only practical way of

CONTENTS

No threat to ruling party despite voters' wider choice

AFTER DECADES of a monolithic political life under the Institutional Revolutionary Party (PRI) which has ruled *Mexico for 53 years, politics* have suddenly become much more of a mosaic. Nine parties are competing in the July 4 presidential and general elections, five of them for the first time under the programme of *political* reform.

There is still no doubt, however, that the official party will win an overwhelming victory. The PRI is deeply entrenched in the state, controls the system of patronage and exercises a strong influence over most of the media. Under the PRI's stewardship Mexico has enjoyed a long period of political stability since the 1910 revolution in which 1m people died.

But the stability or "one party democracy," as the Mexican system has been called, has not prevented the develop*ment of a socially very* unbalanced society. The World Bank estimates that between 1963 and 1977 the share of national income going to the poorest 20 per cent of the population fell from 4.0 per cent to 3.6 per cent. The top 20 per cent of the population also saw its share decline—from 56.8 per cent to 53.3 per cent. But the gulf between rich and poor is still very wide.

If any improvements in income distribution have been made *since then in favour of* the poor, under the impact of the country's oil wealth, they have been minimal.

Millions of peasants and dwellers in urban slums live on the absolute poverty line. Given this situation, it is to be expected that the political reform will eventually bring out the country's latent class struggle.

Framework

President Jose Lopez Portillo introduced the reform in 1979 in order to open up the existing system and steer dissent through an institutional framework. The reform is also aimed at *gingering up the PRI* by giving it stronger opposition and combating the high level of abstentions. These are interpreted as a sign of discontent under the present system.

The political reform is taking place against a delicate background. The country's economy is deteriorating rapidly after four years of boom. *Declining* oil revenues have forced the Government into stabilisation measures.

The PRI has long claimed to represent all national interests through its three sectors covering the peasantry, the middle *class and organised* labour. But the condition of Mexican society shows that the PRI has done the bidding of the rich while speaking in the name of the poor.

Now, with the emergence of new parties like the United Socialist Party of Mexico (PSUM), a coalition party *organised* around the Communists, Mexican politics are becoming more class-based.

The 22m Mexican voters will have an unprecedented set of political choices next July.

The PRI ticket again includes two insignificant stooge parties, the Popular Socialist Party (PPS) and the Authentic Party of *the Mexican Revolution* (PARM). On the PRI's right is the National Action Party (PAN), a pro-Catholic Church party with strong private sector links, and the more extreme Mexican Democratic Party (PDM).

On the PRI's left, apart from the PSUM, is the Revolutionary Party of Workers *(PRT)*, a genuine Trotskyist party, and the Socialist Party of Workers (PST), which many believe to be in the Government's pocket like the *PPS and the PARM.*

In the middle there is the Social Democratic Party (PSD). *All but the PRI, PPS, PARM* and PAN are newly legalised parties.

The elections for President, 400 seats in the Congress (100 of them awarded on a proportional representation basis) and 64 senators will be the most open in Mexico's history.

But old habits die hard. The *PRI's campaign can hardly* be said to be a fair one. Opposition parties on the Right and the Left have long claimed that the PRI wins some elections by fraudulent means. The recent elections for governor of the state of Yucatan were widely denounced.

But as a well-known Mexican *political commentator once* pointed out, the PRI does not have to resort to stuffing ballot boxes in order to win elections. The party has at its disposal so many human and financial resources that it steamrollers the opposition. The PRI's high rise headquarters in Mexico City, adorned with a mural *depicting revolutionary scenes,* is as large as a Ministry building. The PRI is known as the "Ministry of Elections"

The PRI's finances have *always been a mystery* The party receives quotas from its three sectors, particularly from *trade unions, most* of which are affiliated to the party. State funds are also used by PRI governors and mayors for party activities.

The PRI has not stated publicly how much it is spending *on the elections, but it is* believed that the party's campaign is costing tens of millions of dollars.

Its advertising outlay alone is forbidding. Uno Mas Uno, the liberal newspaper, relent*lessly prints day after day* the four to five speeches given by Sr Miguel de la Madrid, the PRI's presidential candidate.

The speeches however do not appear as adverts although they are run verbatim.

Other parties are receiving some financing from the state, but the amounts are tiny com*pared with the PRI's fat budget.*

Sr de la Madrid has spent the past five months flying about Mexico in the PRI's jet. Hordes of Mexican journalists accompany him and are paid by the PRI's Press department for covering the gruelling campaign. There are also other *perks for Mexican journalists. When Sr de la Madrid* campaigned in Baja California, journalists were able to buy television *sets* and other consumer goods in that state's duty-free zone and bring them back to Mexico City to sell on the black market.

The PRI uses the carrot and the stick to exercise political control. Rebellious students have been co-opted by the PRI and gone on to enjoy successful political careers. On the other hand, strong-arm tactics are sometimes used when the PRI loses control of an area and *wishes to get it back in the* fold.

The Communist-run town of Juchitan in the state of Oaxaca, the only one on the American mainland, came under attack from Right-wing groups after the PRI lost the municipal elections there last year. Two attempts have been made on *the life of Juchitan's mayor and* a member of the town council was murdered.

BASIC STATISTICS

Area:	1,973,000 sq km
Population:	71.91m
Currency: Mexican peso. £=32.60 pesos	
GNP (1980):	4,159.3bn pesos
Per capita:	57,840 pesos
Trade (1980) Exports:	357.52bn pesos
Imports:	446.97bn pesos

State authorities also tried to *discredit the town by carrying* out a politically inspired audit of the town's books. An audit was never carried out under the PRI.

Despite the political reform, human rights abuses are still committed. The chapter on Mexico in the 1981 Amnesty International report says: "The *concerns of Amnesty continue* to be irregular arrests, detention and trial procedures, including the use of confession obtained under torture as the only evidence to convict people on criminal charges when the real reasons for arrest were political, trades union or peasant activities."

The candidate for the Trotskyist PRT is Sra Rosario Ibarra de Piedra, president of the National Committee for the *Defence of Prisoners, the* Persecuted, Disappeared and Political Exiles. Her son disappeared in 1974. *An estimated* 300-400 people have been taken into custody in recent years and their whereabouts are unknown.

Many of the human rights abuses reported to Amnesty *last year involved land tenure* disputes. The pressure for land in some areas like the Huasteca in the state of Hidalgo is particularly intense. Some peasants who have occupied land have been killed by paramilitary *units in the service of large* landowners.

Activists in "independent" (i.e., Left-wing) trade unions are also prone to attack. The murder of Sr Misael Nunez Acosta in 1980 is still a burning issue among those teachers in the state of Mexico trying to form their own union.

Mexican newspapers reported the arrest of two people charged with Sr Nunez Acosta's death. They confessed to the crime to the police and claimed that they had been paid by a leading member of the PRI-affiliated national teachers union. The two men were imprisoned and later escaped.

The repressive side of the Mexican political system is a far cry, however, from the abuses committed in most of *the rest of Latin America* where Right-wing military governments rule by terror. One of the PRI's successes is that it has eased out the military from direct political power.

The Mexican system is remarkably flexible and subtle. The PRI does rule by consent. The system's greatest in-built safety valve *is* that the President cannot stand for re-election. This stability factor prevents the system from becoming *a personalised dictatorship.*

Mexican presidents rule like absolute monarchs for six years. *They* control the bureaucracy, the judiciary and the PRI and through their right to veto all legislation passed by Congress they also control the legislature. The President is also commander-in-chief of the armed *forces. The strongly* presidentialised system limits the area of political reform.

But because of the limited term of the presidential office there is a large turnover every six years even down to the level of departmental heads within the Ministries and the public sector.

The *regular turnover* gives PRI activists a good chance of achieving political or executive power at some stage during their career. Public sector jobs can be extremely lucrative.

Corruption under the present government has reached unprecedented levels. A senior Mexican banker estimated that *officials in Pemex*, the state *oil* monopoly, receive on average a 10 per cent rake-off from contracts with foreign and domestic suppliers.

President Lopez Portillo himself compares corruption to a "cancer which runs the risk of devouring Mexico if we do not succeed in controlling it." Sr de la Madrid has made the fight against corruption a central part of his campaign and has *called for a "moral* renovation."

All presidents have made the same call, but so far in vain. The need to do something about the problem is greater now than ever.

William Chislett
Mexico City Correspondent

Critical year for economy after peso devaluation

THIS IS a critical year for the Mexican economy as the Government gets to grips with a stabilisation programme following last month's 40 per cent devaluation of the peso.

For the past four years the economy has roared along like an express train, thanks largely to the country's massive oil wealth. Real growth has averaged 8 per cent during that period and an astonishing 2.8m new jobs have been created. Substantial progress has also been made in agriculture, Mexico's Achilles heel, where growth of output is now greater than the explosive population rate.

But this impressive performance has only been achieved at a high financial cost. Mexico now has the dubious distinction of being the world's most indebted country, with a total foreign debt estimated at $68bn. The public sector external debt has risen 85 per cent in the past four years to $48.7bn and the *private sector debt is reliably* estimated at $19-20bn.

The current account deficit was a record $11.7bn last year, 73 per cent more than 1980 and almost 5 per cent of Gross Domestic Product (GDP) despite a significant increase in oil sales.

The public sector deficit of 735bn pesos ($27.2bn) was 12.5 per cent of GDP last year.

Inflation has spiralled and the peso became overvalued as U.S. and Mexican inflation rates got out of line.

Mexico's oil wealth encouraged the Government to overspend and be lax about reducing the very high level of subsidies, which were about 10 per cent of GDP last year.

The world oil glut has come as a great shock for Mexico, a newcomer on the present international oil scene—although it was a major producer 70 years ago.

Servicing last year's public sector external debt alone swallowed up some 85 per cent of the $13.3bn revenue from oil exports. Oil revenue fell $6bn below target because of the glut.

Tumbling oil prices have brought the Government up with a jolt. The country's state of financial disequilibrium is now severe. Unless there is a marked improvement in the external accounts this year there is a very real danger that the progress made over the past four years will be undermined.

As things stand at the moment there are few serious signs that the government will really cut back, a reluctance which is causing serious concern in domestic and international financial circles. It gives every impression of continuing to live in an ivory tower.

Adjustments in an uneven society like Mexico's cannot, of course, be made overnight. To dampen down expectations suddenly, after raising them for the past four years, could spark off social unrest. Unemployment will increase this year. On the other hand the longer corrective measures are delayed the greater will be the economic upheaval.

The World Bank warned in its last confidential report on Mexico—which came out six months before the devaluation—that *the continuation of expansionary policies* would culminate in drastic measures having to be taken in 1983 and a considerable slow-down in economic growth for two to three years.

Despite cutting back economic growth by almost four points this year to 4.0-4.5 per cent the Government is still talking of borrowing $11bn net ($20bn gross) after almost $15bn net in 1981.

This means pushing up the public sector external debt to nearly $60bn. As a result Mexico will be very much at the mercy of international interest rates. Unless they drop substantially over the course of the year, servicing this year's debt will eat up all Mexico's oil revenue of $13-14bn. In the present situation oil revenue is unlikely to be greater than last year.

Bankers are convinced that interest margins will have to rise because of the huge amounts Mexico is seeking. They are already increasing significantly.

Non-oil exports, which declined in real terms by 1.4 per cent last year, will not greatly benefit from the devaluation because Mexico's overseas markets are depressed and there is a lack of extra domestic production capacity. The import bill, however, will rise since the economy is closely tied to the U.S. dollar.

This year's budget is being cut back by only 3 per cent, which is hardly a belt-tightening measure unless further cuts are to be made which the Government prefers not to make public for political reasons.

The 1982 budget deficit will be at least 8 per cent of GDP—the pre-devaluation target. Given Mexico's propensity in the past to overspend the deficit could be higher.

To some extent the Government is the victim of its own success. Having locked itself into major expansion plans in virtually every sector of the economy from schools to steel on the basis of high oil revenues, it cannot easily call off or postpone the programmes.

The stabilisation programme also includes tax relief for the private sector. This is bound to exert pressures on the already constrained budget at a time when the Government should be trying to control public spending to curb inflation.

Consumer prices are forecast to increase by 45-50 per cent this year because of the devaluation, after 28.7 per cent in 1981.

ECONOMIC INDICATORS

	1978	1979	1980	1981	1982
Real economic growth (GDP) ...	8.1	9.2	8.3	8.1	†4.5
Current account deficit ($bn) ...	2.7	4.9	6.6	11.7	†11
Consumer prices (per cent rate of increase) ...	16.2	20	29.8	28.7	†50
Year-end public sector debt ($bn)	26.2	29.8	33.8	48.7	59.7
Oil and gas exports ($bn) ...	1.8	3.8	9.8	13.8	†15

† Estimate. Remainder Central Bank figures.

Companies struggling to meet the extra cost of servicing their debt caused by the devaluation can claim up to 42 per cent of their foreign exchange losses through tax relief. The Government will judge companies on a case by case basis and also allow those in trouble to defer payment of this year's corporate tax until next year.

Companies like Alfa, the country's largest private sector holding company which has an external debt of $2.3bn, are in a precarious situation. After overextending itself before the devaluation—like the country as a whole—Alfa is now tight for cash.

The Bank of Mexico (the central bank) appears determined to maintain a high exchange rate in order to prevent the peso from becoming overvalued again. Sr Jesus Silva Herzog, the articulate Finance Minister, said there had been a "fundamental" change in exchange rate policy.

The private sector has been howling that the central bank has allowed the peso to depreciate by 42 per cent (as of March 10) when it was generally accepted that the currency was overvalued by about 30 per cent.

The Bank of Mexico, however, wants to have a significant *margin on the exchange rate* — the peso is now undervalued — in order to compensate for the higher differential between Mexican and U.S. inflation rates.

Besides, in a country where exchange rate controls would be almost impossible to operate because of the very open 2,000-mile long border with the U.S., *a high exchange rate is a means* of limiting capital outflows and discouraging Mexicans from taking holidays abroad. They have been visiting the U.S. in droves and have also been depositing their dollars in U.S. bank accounts.

The country's total international reserves, which stood at a record $10.7bn at the end of 1981 thanks to some expensive short-term borrowings, were whittled down in the six weeks before the devaluation to a low level. The Bank of Mexico has refused to say by how much; President Jose Lopez Portillo spoke of "veritable assaults" on the reserves.

At the same time interest rates have begun to come down in an attempt to stimulate the depressed stock exchange and to take some of the pressure off the private sector. Prime *commercial* borrowers could only raise bank loans before the devaluation at an effective rate of *up to 50 per cent. Interest rates* on *short-term* peso deposits were reduced by two per cent on March 8, the *largest single cut* since the Bank of Mexico began its flexible policy in 1979.

Such a sharp decline would appear, however, to contradict the stated policy of maintaining "real" interest rates in order to avoid another surge of new deposits in dollars as opposed to pesos. Higher interest rates are also needed, say analysts, to maintain the tighter monetary policy.

The Government is also in an awkward fix with the trade unions, which are pushing to be compensated for the loss in purchasing power caused by the devaluation. The wage increase ceiling was fixed at 35 per cent before the devaluation, which would have allowed workers to regain some of their lost purchasing power given that inflation was estimated at 30 per cent.

Unions made some sacrifices after the abrupt devaluation of the peso in 1976 and they are now in a *more militant mood.* None the less, they are closely allied to the Government through the ruling Institutional Revolutionary Party.

At the time of writing the unions, the Government and the private sector were still negotiating the extra wage increase. Some observers believe the Government will be lucky to get away with less than a 15 per cent increase in wages.

The Government has been getting tough with commercial establishments which have broken new price control regulations. Over 900 shops, including major department stores, at the Perisur shopping complex in Mexico City were closed in the first week after the devaluation.

The government has extended price controls to products like cars, television sets and a further range of foodstuffs, and is limiting the increases to 10 per cent until mid-May.

Perisur is a fitting monument to the bad effects of sudden oil wealth. Set among 52 acres with four different department stores, 184 shops, restaurants and banks, the glass and concrete shopping complex, the largest in Latin America, offers everything from imported Japanese motor-cycles (carrying over 100 per cent duty) to sophisticated kitchen-ware.

The volume of trading at Perisur in Mexico's newly straightened circumstances will be an interesting barometer of whether the country has stopped living beyond its means.

W.D.C.

Industry braced for tougher times

AFTER FOUR YEARS of dramatically rapid growth Mexican industry is bracing itself for tougher times as the international oil glut and worldwide recession slow the economy's advance.

But viewed with hindsight the current economic problems are likely to be seen as little more than a temporary, albeit large, hiccough in the industrial progress of a nation which already has one of the most advanced manufacturing sectors in the developing world

Uniquely among the Third World oil powers Mexico developed a solid infrastructural base before it discovered its crude wealth in the mid-1970s This has given the economy a far greater capacity to absorb the oil riches and turn them into industrial fixed assets than many other countries' — though even in Mexico the past few years have produced manpower shortages and supply bottlenecks

Walk into any large shop in Mexico City and you are likely to be impressed by the wide range of consumer goods bearing the "Made in Mexico" label They range from cars and trucks (some 500,000 units a year being sold at present) through white goods (600,000 a year) and television sets (900,000) to children's toys.

But the country differs in two important respects from other states at the forefront of Third World development—the so-called newly industrialised states such as Brazil and South Korea.

It has yet to develop a broadly based capital goods sector and manufacturing is geared overwhelmingly to the domestic market rather than to exports. The Government is anxious to remedy both weaknesses.

Before the oil boom the country's industrial structure was built up on two economic foundations: classical import substitution and — a Mexican innovation — the "maquiladoras" or "in bond" system, a type of offshore assembly industry. Maquiladoras plants are strung along the border with the U.S., are 100 per cent foreign-owned, work solely for the export market and pay no duties on the import of raw materials. There are now over 600 of them, employing over 125,000 people.

This pattern of industrialisation worked well in the 1950s and 1960s, when Mexican industry enjoyed a strong growth rate behind high tariff and quota barriers But by the 1970s the easiest forms of consumer goods substitution were nearing the limit and the development of intermediate and capital goods sectors was proving more difficult. Industrial growth slackened. Then, happily for the Government, along came oil to provide a fresh springboard for industrial advance.

Growth in manufacturing output, which slumped to a rate of 2-3 per cent in the mid-1970s, soared to around 9 per cent in the later years of the decade. Even last year, with the onset of the glut, a 7.4 per cent growth rate was recorded, according to provisional central bank figures.

Equally dramatic has been the increase in fixed assets by both the public and private sectors. In nominal terms they have grown by 40 per cent or more each year since 1977, representing a real per annum rise of between 13 and 20 per cent.

Anxious to ensure that oil leads to broad-based development and not an ever-increasing reliance on the petroleum sector, the Government is pushing ahead with an industrial plan whose key features are as follows.

● A major expansion of the country's steel industry to meet domestic needs. Production is expected to rise from 7m tonnes a year now (4m from the state sector, 3m from private companies) to 24m tonnes by 1990 (18.5m from state companies).

This is one of the more controversial of the Government's plans, with some analysts questioning the wisdom of such a very large capital commitment at a time when there is a world glut of steel. The Mexicans justify the development on grounds of security, job creation —the possibility of a steel shortage by the time all the plans are operating and the development of an integrated oil industry supplies sector.

● A substantial increase in the manufacture of petrochemicals for both domestic and export markets to yield the maximum value added from Mexico's hydrocarbon resources. The aim is to more than double basic capacity—in which Pemex, the national oil company, enjoys a monopoly—from 9m tonnes to 23m tonnes by 1990. Secondary production, where the private sector can be involved, is due to increase from some 6m tonnes a year to 9m tonnes by the mid-1980s.

Some analysts have raised doubts about the scale and economics of some of the petrochemicals projects — particularly at a time when Middle Eastern oil states are planning a major expansion of feedstock production. There can be little quibbling over the broad thrust of Mexican policy, however. As one industry leader puts it: "The Mexicans have got all the advantages the Saudis have and more besides—skilled manpower and proximity to the American markets, both North and South."

● *Decentralisation of industry* to under-developed areas of the country. At present some 70 per cent of industry is concentrated in the three big urban centres of Mexico City, Monterrey and Guadalajara on the country's high central plateau—far from the energy and agricultural raw materials on the coast and in the north and south.

The Government is therefore developing four industrial ports —Altamira and Laguna del Ostion in the Gulf of Mexico and Lazaro Cardenas and Salina Cruz on the Pacific coast. Companies are being offered substantial incentives such as cheap energy and tax reductions to locate themselves in the ports and in a large number of middle-sized towns dotted around the country. The move is starting to pay dividends, albeit slowly.

● Encouragement of the capital goods sector. President Lopez Portillo announced new incentives for the capital goods manufacturers last September and forecast that domestic demand in this area could grow by 18 to 20 per cent a year in real terms over the coming decade. At present rates of development domestic supplies would only increase by 12 per cent a year—leaving a big gap to be met by imports.

Despite his strictures the capital goods sector has been growing substantially in recent years. Mexico can now boast, for example, two manufacturers of drilling rigs and complementary equipment. The first complete offshore platform built in Mexico is already drilling in the Sound of Campeche.

Nacional Financiera, the state development bank, has backed projects to provide the country with heavy castings and forged products, processing equipment for the oil and petrochemical industries, hydraulic and steam turbines, high tension circuit breakers and microwave systems.

Xenophobic rhetoric notwithstanding, the Government is anxious to attract fresh foreign investment—particularly in the capital goods sector.

Under a 1973 Mexicanisation law foreign investment is generally limited to 49 per cent of a joint venture (40 per cent in the case of petrochemicals). But the legislation was not retro-active, so many companies —notably the big car manufacturers—are still 100 per cent foreign-owned.

The Government is also prepared to bend the rules in areas where it is particularly anxious for investment. There have recently been at least two cases of new electronics companies being set up with 100 per cent of the equity held by foreigners.

Attractive

From the viewpoint of the foreign investor Mexico looks an extremely attractive long-term proposition, offering oil, political stability, no exchange controls, full freedom to repatriate profits and dividends and a market of 70m people.

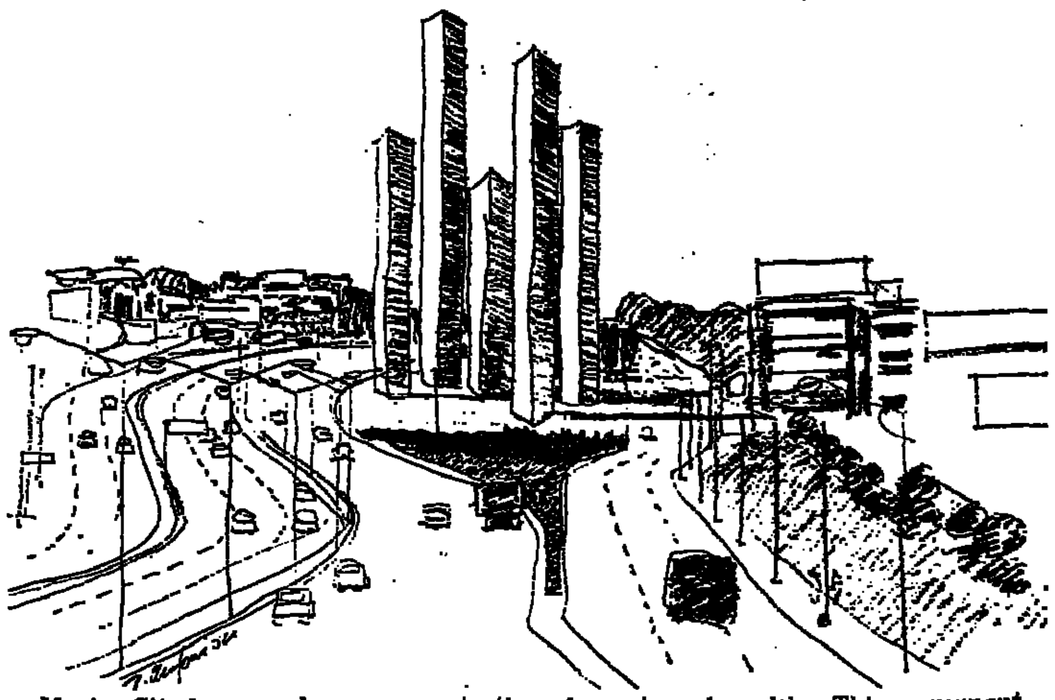
The immediate outlook is less rosy however. Recently announced Government spending cuts will mean a substantial drop in demand—public spending now accounts for about 50 per cent of total investment. And while the devaluation of the peso should theoretically help manufacturing exporters, it will deal a major financial blow to a number of industrial companies which have borrowed heavily in dollars.

During the coming months investment analysts will be keeping a close watch on wage and price changes, since a rapid upward movement in the wake of devaluation would again start to erode Mexico's labour cost advantage and reduce the country's revived export competitiveness.

Doubts remain whether Mexican industry will be able to take advantage of its current export advantages. The business community has no strong tradition of exporting—the highly protected home market has offered more attractive profit margins—and it will not be easy to start now. Furthermore, Mexico's non-membership of GATT makes it easy for competition in the recession-hit U.S. —the main export market—to invoke countervailing duties.

So with a significant drop in domestic demand and major export problems, Mexican industry faces a tough few years —just at a time when substantial new investment, the fruits of the oil boom, is coming on stream.

Martin Dickson



Mexico City houses a heavy concentration of people and wealth. This monument of towers by Matias Georitz marks the entrance to Satellite City, part of the capital's continuing expansion

Military eye on Central America

MEXICO is modernising and expanding its armed forces in preparation for a possible spillover of the political turbulence in Central America.

The civil war raging in neighbouring Guatemala, not very far from Mexico's major oilfields, is making the country feel vulnerable. Some 2,000 Guatemalan refugees are fleeing across Mexico's southern border every week and into the state of Chiapas. Last month the Right-wing military government in Guatemala stepped up its ruthless counter-insurgency campaign in the Quiché and Petén areas near the Mexican border.

Mexico fears that the Guatamalan guerrillas may set up bases in the Chiapas jungle and that the well-equipped Guatemalan army will pursue them over the border.

Apart from Costa Rica, the tiny Central American democracy which abolished its army in 1949, Mexico is the most poorly defended nation in Latin America, a region dominated by military governments. But this is now changing. Mexico is quickly leaving the cavalry age.

In August the air force will take delivery of the first six of 12 F5 supersonic jet fighters worth $106m. Last month the navy received two Gearing class destroyers which are equipped with anti-submarine weapons. The army's cavalry regiments have been re-equipped with armoured cars and jeeps.

The combined strength of Mexico's armed forces is being boosted over the next six years from 120,000 to 220,000. The current strength represents a minute 0.17 per cent of the 70m population. A 4,000 man rapid deployment force is also being prepared for possible use in areas like Chiapas in the event of strife.

But it is not just perceived external threats which are causing Mexico to strengthen its armed forces. The military build-up, albeit comparatively small, is also part of Mexico's ambition to project itself as a Third World power and to demonstrate greater independence of the U.S.

It will be very costly, however, for Mexico to become a military power. This year's defence spending of 43.7bn pesos ($971m) is still only 2 per cent of the national budget. This is very low by international standards. Last month's devaluation of the peso has made the purchase of military hardware much more expensive.

When Mexico takes delivery of the F5 jets the air force will not be able to use them effectively until the country has a radar air defence system to warn it of impending attack.

Similarly, the two destroyers are totally inadequate to patrol Mexico's 880,000 square miles of territorial waters. (The UK, by way of comparison, has 270,000 square miles.) They are World War II vintage and rather run down. Mexico bought them both from the U.S. Navy for the giveaway price of $600,000. A modern offshore patrol boat, half the size, costs $20m.

Moreover, the rapid deployment force has no back-up equipment or transport of its own. At the moment it has to rely on commandeering trucks belonging to public sector companies like Pemex, the oil concern, which hardly makes for speedy reactions.

But while the main thrust of the Mexican armed forces expansion is towards external defence, this does not mean that the army is reducing its internal security role. The country's 35 military zones conform in most cases to the boundaries of the 32 states. Troublesome states like Guerrero, where there was a guerrilla movement in 1973 and 1974, have two military zones.

The army is sometimes used as a police force. In 1968 several hundred demonstrating students were killed by soldiers in Mexico City.

In June 1980 there was a clash between landowners, reportedly aided by the army, and peasants on the Bolanchon estate in Chiapas in which a dozen peasants were killed. Liberal bishops still speak out against the involvement of security forces in the repression of peasants occupying land.

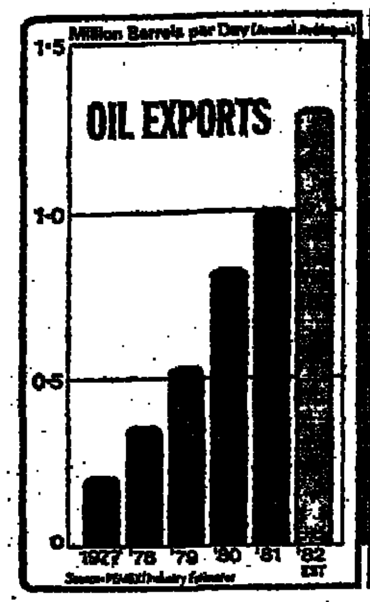
However, as far as can be ascertained, the armed forces have played no part in the country's decision-making process since the last military president, Gen Avila Gamacho, left office in 1946.

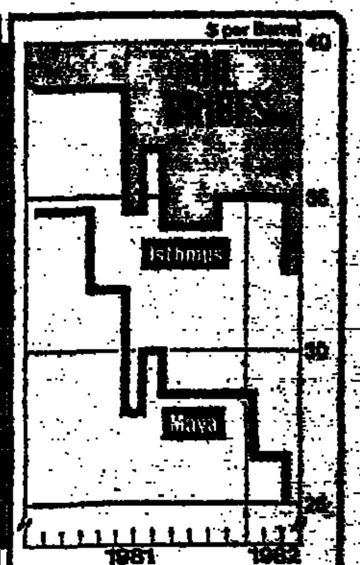
Nevertheless, there is still a cosy relationship between the top brass and the ruling Institutional Revolutionary Party. The President, who is commander-in-chief of the armed forces, generally has a couple of military men as state governors. The new governor of Yucatan is a general and the PRI's candidate for the governorship of potentially explosive Chiapas is also a military man.

W.D.C.

Martin Dickson reviews the economy's power base—oil and other mineral resources

Oil exports buck the world trend





THESE ARE testing times for the Mexican oil industry.

The worldwide glut of crude has meant tumbling prices and lower than expected earnings for Petroleos Mexicanos (Pemex), the state hydrocarbons company. Mexico's crude oil revenues in 1981 totalled $13-$14bn—some $6bn short of original projections—and 1982 earnings are unlikely to be much higher.

Amid these much more difficult market conditions Pemex has faced a dramatic shake-up in its leadership. Last June Sr Jorge Diaz Serrano, the company's then director-general, was forced to resign—ostensibly over a dispute about oil pricing policy.

The upshot of all these developments is that Pemex, the darling of the Mexican public when times were good, now faces a much cooler and more critical domestic audience. But it can at least point to two strongly positive developments in recent months.

● Mexico's oil exports have continued to rise (except for an unfortunate period last summer when it got its pricing wrong) at a time when most other producers have suffered declining sales volume.

● The country's proven hydrocarbon reserves have been increasing steadily. Last September President José López Portillo announced a 6 per cent rise in proven oil and gas reserves—from 67.8bn barrels to 72bn.

Reserves

With oil accounting for over 50bn barrels of that total, Mexico had the world's fifth biggest proven crude reserves, lying well behind Saudi Arabia (165bn) but close to Kuwait (64bn), the Soviet Union (63bn) and Iran (57bn).

Since then Pemex has unveiled several substantial new discoveries and Sr López Portillo was expected to announce a further big leap in reserves on March 18, the day he traditionally makes a statement on the oil industry.

March 18 is a date charged with emotion for Mexican nationalism since it was on that date in 1938 that the Government took over the foreign oil companies operating in the country and created Pemex, which has grown into one of the biggest of the world's state-owned oil companies, widely noted for its technical expertise.

From 1938 until the early 1970s the Government followed a conservative oil policy, largely meeting domestic demand but producing little for the international market.

Matters changed dramatically in the mid-1970s. The 1973-74 quadrupling of the oil price, mounting domestic economic difficulties and some major new discoveries led to a thorough rethinking of oil policy.

In 1976-77 Mexico revealed to the world that its reserves were much higher than previously imagined. The Government determined to use the resource as a major engine of economic growth and set about becoming a significant international trader.

The results have been dramatic. In 1976 Mexico produced 897,000 barrels a day (b/d) and exported only 94,000 b/d. It is now the world's fourth biggest producer. This year output could reach 2.7m b/d and exports are likely to average 1.5m b/d or more.

Capital investment in the oil sector has risen from some $900m in 1976 to an estimated $4.6bn in 1980 and $5.5bn in 1981. This year, however, the reduced oil price is likely to dictate a lower rate of expenditure growth, if any.

Mexico, in common with Britain, has been able to keep its oil sales rising at a time of worldwide glut because it is a politically stable, independent producer which does not belong to the Organisation of Petroleum Exporting Countries (Opec). This makes it attractive to buyers wishing to diversify away from volatile Opec supply sources—provided it keeps its prices in line with the market.

This Mexico signally failed to do last summer in an imbroglio which taught this relative novice to the game much about the workings of the international oil market. The drama began in June when Sr Diaz Serrano, faced with a softening market, announced a $4 barrel cut in prices. This meant that the country's light Isthmus oil dropped from $38.50 a barrel to $34.50 and its much heavier and less attractive Maya crude came down from $32 a barrel to $28.

Since at this time Mexico insisted that its customers bought oil in the proportions 60 per cent Maya and 40 per cent Isthmus the weighted benchmark price of a barrel fell from $34.60 to $30.60.

A political storm ensued. After several years of rapidly rising oil prices Mexicans found it difficult to adjust to the prospect of a fall and Sr Diaz Serrano was forced to resign. However, political issues totally unconnected with the oil price are widely believed to have been an important factor in his abrupt departure. Until that time Sr Diaz Serrano had been a potential presidential candidate.

His successor at Pemex, Sr Julio Rodolfo Moctezuma Cid, tried to defy the market by announcing a $2 increase in the weighted price to $32.60 a barrel. The result was a revolt by customers and a sudden drop in Mexican exports to little more than 450,000 b/d.

Pemex was forced to cave in. Not only did it drop its prices by $2.50 a barrel for Isthmus and $1.50 a barrel for Maya but also agreed to give customers a 50/50 per cent mix, allowing them more of the lighter Isthmus oil.

Since those dark days the company has been more careful to keep prices broadly in line with the falling market and customers have come back in strength.

Forced

Pemex exported some 1.2m b/d last month and says the total would have been higher but for the bad weather which prevents loadings at the country's Gulf ports. This compares with an average of about 1m b/d last year. By April it expects exports to be running at over 1.5m b/d.

For the year as a whole the aim is to average 1.5m b/d—the ceiling on exports fixed by President López Portillo. Industry analysts believe, however, that the soft market and weather problems could make the company fall some way short of that, perhaps around 1.3m b/d.

Pemex is contracted to sell 1.72m b/d. The figure is higher than the export ceiling because not all customers will be willing or able to take up their full entitlement in any one month.

Despite the loss of one or two clients who find it difficult to handle the heavy Maya crude, Pemex intends to continue for the remainder of this year with a 50/50 mix.

But the longer term aim, says Sr Gilberto Escobedo Villalon, its commercial director, is to bring more light oil on stream, giving the country greater flexibility to vary its offered blend according to market conditions.

As Mexico's oil production has expanded so has its output of natural gas. Some 70 per cent of its gas reserves are estimated to be associated with oil, meaning that they must be produced together, with the gas either flared, which is wasteful, or sold commercially. With the installation of a new gas pipeline to its offshore fields, Pemex has now cut flaring to a minimum and is commercially producing about 4bn cubic feet of gas a day—all but 300m cubic feet of it being used within the country, largely by industry.

The 300m cfd (cu ft a day) of exports go to the U.S. and a major question facing Mexico now is whether to increase this to 600m cfd to compensate financially for the falling price of oil. A doubling of gas exports would bring in an additional $500m a year.

The Mexicans have begun talks with potential U.S. customers but there remain several hurdles to clear. Pemex is not yet sure whether significant gas will be available. Even if there is a new pipeline it would have to be built on the U.S. side of the border and the whole deal would be subject to approval by U.S. federal regulatory agencies.

Increased gas sales to the U.S. would be a significant departure for the Mexicans. Negotiations for a major gas export deal collapsed in acrimony in 1978 and the Mexican Government then pledged that gas reserves would be used primarily for domestic consumption, though it permitted the deal for the 300m cfd to go ahead in 1979.

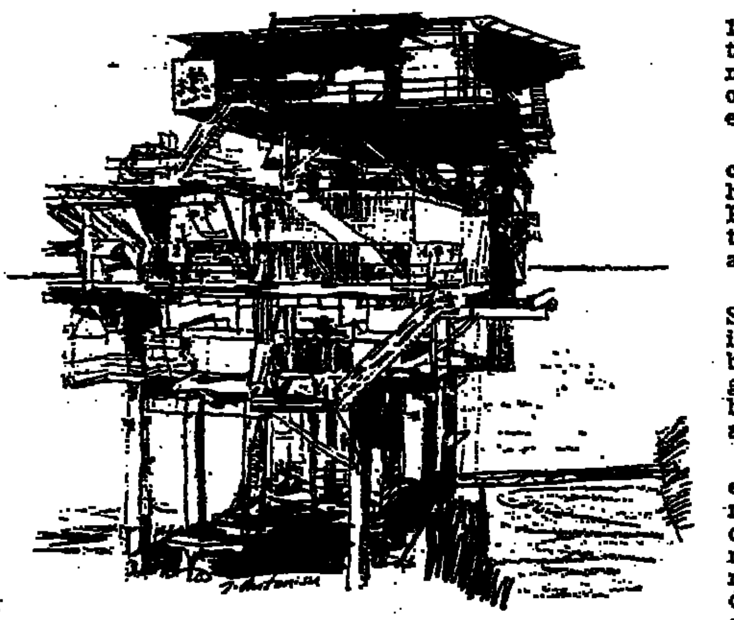
In the longer term a key question of international concern is whether Mexico will lift its self-imposed 1.5m b/d export ceiling on crude oil.

National energy plans and independent analysts suggest that by the end of the decade Mexico could be capable of producing 7-8m b/d—equal to Saudi Arabia's current output. The indications, however, are that the Government would prefer to keep production much lower—around 4m b/d, with exports not rising much above their present level.

Overall production will certainly have to rise from its current Government-imposed ceiling of 2.75m b/d to cope with rapidly increasing domestic demand for oil products.

One of the fastest growth areas is petrol consumption, which has leapt forward by 14 to 15 per cent a year for the past three years—far outstripping Gross Domestic Product growth of around 8 per cent.

Mexico's refineries, which now have capacity for about 1.5m b/d, making the country the 11th biggest refiner in the world, have not been able to keep up with demand and Pemex has had to go abroad. It is, for example, now getting some 150,000 to 250,000 b/d of Maya crude processed in Caribbean refineries and taking back some 70 to 80 per cent of the product for itself.



Offshore oil platform near Cudiad del Carmen in Tabasco State, one of many feeding the country's oil production

Growing presence in international market

MEXICO'S RAPID emergence as a key element in the international oil supply/demand equation is underlined by a simple but telling statistic.

Last year, as the world became glutted with oil, only two major producing countries managed to boost their output significantly. One was Britain, whose production rose 11 per cent, the other Mexico, with an even bigger rise of 19 per cent.

The North Sea and Mexico are the only two major sources of non-Communist, non-Opec oil to have emerged during the past decade. As such they are particularly attractive to companies and countries wishing to diversify their crude purchases and reduce dependence on the Middle East.

So while the glut has forced most Opec producers to reduce exports sharply during the past year, Mexico and Britain have been able to keep sales rising—which has in turn helped make the glut greater and put downward pressure on prices.

With an expected 2.7m barrels a day (b/d) of output this year, Mexico has become the world's fourth largest oil producer. This figure rather overdramatises its world role, however. It remains a long way behind the leading producers (Saudi Arabia, the U.S. and the Soviet Union), is only a short head in front of several others and accounts for only 4 per cent of total world output.

That said, its huge reserves means that Mexico is going to be of substantial and growing importance in the world oil balance for many decades to come.

Nowhere is this importance more keenly felt than in the U.S., the world's biggest oil market, where declining domestic production has meant increased reliance on imports from Opec members, notably Saudi Arabia and Nigeria. Supplies from Mexico offer much greater security.

But as in so many other aspects of their prickly relationship, what suits the U.S. does not suit Mexico. In a move aimed particularly at the U.S., the Mexican Government's energy policy spells out that no one country must receive more than 50 per cent of Mexico's hydrocarbon exports.

Customers

During the past few years Mexico has carried out a deliberate and rapid diversification of its oil customers, so that while the volume of sales to the U.S. has continued rising this has represented a declining proportion of Mexico's total sales.

As recently as 1979 the U.S. took 84 per cent of Mexico's 448,000 b/d of exports. Last year the U.S. took some 50 per cent of exports of 1-1.1m b/d. This year U.S. customers account for 43 per cent of Pemex contracts, with Europe taking about 33 per cent. Recent additions to Mexico's list of customers include British Petroleum, taking 40,000 b/d, and Shell, taking 50,000 b/d.

Mexico is also supplying 50,000 b/d to the U.S. strategic oil reserve under a deal concluded last August to sell nearly 110m barrels to the reserve over the next five years. The agrement provoked some sharp protests from Opec producers, notably Saudi Arabia.

Some 65,000 b/d of Mexican exports are going to Central American and Caribbean countries on soft terms under a joint aid agreement reached by Mexico and Venezuela—Latin America's other big exporter—in August 1980. The recipients get a very favourable mix of crude—70 per cent light and 30 per cent heavy, as against a 50/50 blend for other customers—and can defer part of the payment.

One country, however—Honduras—is having difficulty processing the heavy-crude and is not expected to continue liftings. Mexico has been having difficulties of its own during the past six months in getting payment from financially troubled Costa Rica and Nicaragua.

A major Caribbean deal which has long been mooted but never come to fruition is for Mexico to supply Cuba, taking over from the Soviet Union, with the latter replacing Mexico as supplier to Spain, thereby greatly saving transatlantic shipping costs.

Mexico has held fresh talks with all sides but an agreement still seems remote. A basic problem is that the Cubans have very conventional refining capacity which cannot take Mexico's heavy Maya crude. This makes it difficult for the Cubans to dispose of the 50/50 heavy/light blend the Mexicans are willing to sell them. Nor do they have the hard currency needed to pay.

Strategy

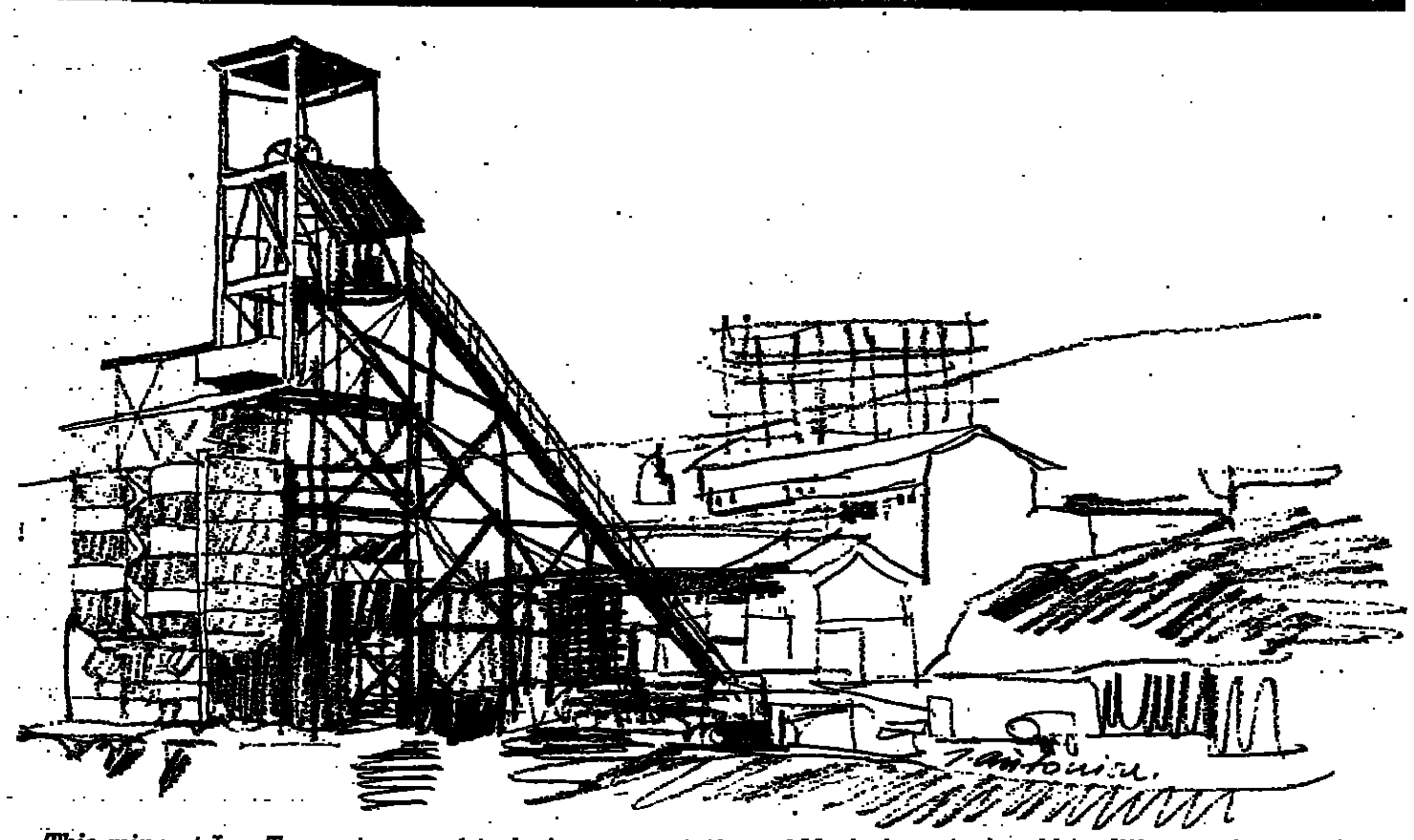
An important aim of the Government's strategy has been to gear crude sales to purchasing countries' contributions to Mexico's development—whether by investment, the transfer of technology or the buying of its non-oil exports. Japan, for example, which has been taking increasing amounts of Mexican crude and investing in numerous projects, including the construction of port facilities on Mexico's west coast.

But in a buyer's market as at present, there is limited scope for such a policy. This was shown last summer when a major row blew up between Mexico and France after CFP, the French oil company, cancelled a contract for 100,000 b/d of crude on grounds of price and quality.

Mexico then said it had decided to exclude French companies from the bidding for some high technology and equipment supply contracts, such as its ambitious nuclear programme and the Mexico City underground railway.

Peace was restored when CFP agreed to resume shipments but the indications are that the Mexicans also had to yield ground before a compromise was possible.

MEXICO V



This mine at Las Torres is one of to-day's representatives of Mexico's centuries-old tradition of silver mining.

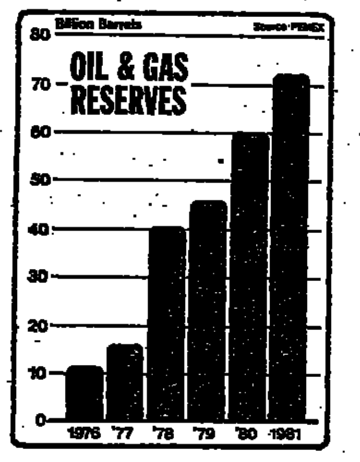
Top supplier of silver and many other minerals

SILVER and Mexico have been synonymous ever since the Spanish came seeking wealth in the 16th century; today the country is still the world's leading producer of the metal.

But silver is now only the most dazzling in a wide array of riches which make the country an important international minerals supplier.

Mexico is also the world's leading producer of fluorspar and celestite and it is among the top five countries in the supply of 11 other minerals and ores: graphite, bismuth, mercury, antimony, quartz, arsenic, selenite, sodium sulphate, sulphur, lead, zinc and cadmium. In all it produces over 40 minerals at mines scattered widely across the country.

The sector, which accounts for just over 1 per cent of GDP, has been expanding steadily over the past decade at an average real rate of about 3 per cent. A 6.6 per cent rate of growth was recorded in 1980, however—largely because of the extraordinarily high price of silver in that year, when Mexico's total non-oil mineral earnings reached $2.3bn.



Those heady days have given way to much more sober times as the international recession has led to a slump in mineral demand and prices. The silver prices has now fallen to its lowest level for 2½ years.

"Mexican production generally increased in 1981 but profits suffered," says one analyst. "The blame can be pinned on the high domestic inflation rate and poor market prices."

The outlook for 1982 is mixed. Production will receive a major boost with the opening of the world's largest opencast silver mine — Real de Angeles in Zacatecas state — but domestic inflation remains high and a recovery in prices depends on the international economic outlook.

Exploration

Against this uncertain background there has been a perceptible slowdown in capital investment over the past 18 months, although exploration continues strongly. Some $100m altogether will be spent this year by both the public and private sectors in the hunt for new reserves.

The mining industry presents a complicated combination of public, private and mixed companies. Foreign ownership is limited to a maximum of 49 per cent in the private sector and 34 per cent in the mixed sector. The role of the state has expanded markedly over the past decade, with Government companies now accounting for 30 per cent of mining output compared to 20 per cent in 1970.

At the same time the Government has been keen to encourage the development of small and medium-sized private sector mines which tend to be more labour-intensive, thus helping meet its top economic priority, the creation of new jobs. And it is, employment in the sector has risen from 60,000 in 1960 to 160,000.

There are estimated to be over 15,000 separate mining ventures in the country, involving over 920 companies. But despite this impressive tally, most of the output comes from a handful of major companies.

Important developments under way include the following:

● Silver. The Mexican industry, which currently produces about 50m troy ounces a year, 18 per cent of Western output, could boost the figure to 60m ounces by the mid-1980s.

Output has remained relatively flat in recent years, partly because the soaring price of silver encouraged the working of relatively low-grade ores.

Substantial expansion plans are now under way at several existing mines, however, and the industry will receive a major boost this summer with the opening of the new Real de Angeles mine. When it reaches full production in 1983 it should have an annual output of 7m troy ounces.

The mine is a joint project between Minera Frisco, a large Mexican private sector company (33 per cent), Placer Development of Canada (34 per cent) and Fomento Minero, a Government development agency.

Mexico's biggest silver producer is the Penoles Group, which mine some 15m troy ounces annually and is also an important producer of lead, zinc, copper and fluorspar.

A number of other silver mining projects, which could boost output to 70m troy ounces by 1990, are being held back because of low world prices and high interest rates. An excess profits tax slapped on by the Government during the 1980 boom but removed last year also led to a scaling-down of private sector investment plans.

Mexico's silver production comes mostly from ores containing lead, zinc and copper, as well, so the output of all four tends to be linked. Output of zinc is currently running at about 238,000 tonnes a year, lead at 145,000 tonnes and copper 175,000 tonnes.

Copper production received a substantial boost in 1980 with the opening of Mexicana de Cobre's La Caridad mine in the northern state of Sonora.

Overruns

However, the project has been plagued with problems which have placed a question mark over its economics. Cost overruns have been immense and it has still to reach its design capacity. The plant's smelter has yet to be completed and work on a planned refinery has been repeatedly delayed.

● Phosphates. Mexico is becoming a significant phosphates producer through the exploitation of large reserves in the north-western Baja California region. Its first mine, at San Juan de la Costa, came on stream in 1980 with an installed capacity of 720,000 tonnes a year. The operation is being run by Rofomex, a state-owned company which is also responsible for the development of low-grade phosphate deposits at Santo Domingo, also in Baja California.

Santo Domingo should begin operations this year. Production could build up to 4.5m tonnes a year of concentrate, giving the country sufficient output to begin exporting.

● Uranium. A big boost has been given to Mexico's hunt for uranium by the Government's extremely ambitious nuclear power programme—designed to add 20,000 MW of nuclear plant to the generating system.

Although this programme could be cut back because of budget constraints, Mexico is scheduled to bring its first nuclear plant—Laguna Verde—into operation in 1984. The first charge for the reactor will come from abroad but Uramex, the state company responsible for finding uranium and exploiting it, expects to provide the second charge from domestic sources.

Although only 10 per cent of the country has yet been explored for uranium, Uramex has enjoyed considerable success. Mexico's economically recoverable reserves are believed to stand at 15,000 tonnes.

The first uranium mining and processing operation—at Los Amoles, in Sonora state—should begin this year and will be able to produce 50 tonnes a year of uranium oxide. Mining operations should begin during the next few years in three other states.

Search proves abundance of hydrocarbons

TREASURE BEYOND the wildest dreams of any Spanish conquistador lay undiscovered beneath the territory of the ancient Mayan civilisation until only a few years ago.

It was in this area of south-east Mexico that Pemex made some of the most significant world oil discovers of the 1970s—and is still making major finds.

The Mexican oil industry, founded at the dawn of the 20th century, was traditionally located further up the Gulf Coast, roughly in the region between Tampico and Tuxpan.

Then in 1972 Pemex began making a series of new discoveries in an on-shore area of the south—the Chiapas—Tabasco Mesozoic province, commonly known as Reforma. Oil and gas had been found in the area before but never in such quantities.

In 1975 the hunt moved offshore to the Sound of Campeche, just to the north of Reforma, and the finds there rapidly dwarfed all that had gone before.

Driling rigs and production equipment rapidly moved south and the Campeche-Reforma area now accounts for over 90 per cent of Mexico's output of about 2.3m barrels a day (b/d). Some 1.2m b/d comes from five offshore fields—Cantarell, Abratun, Pol, Cu and Maloob—and a further 900,000 b/d from Reforma.

Pemex geologists are now confident that Campeche/Reforma forms a single geological structure, stretching some 200km from north-east to south-west, with the gravity of the oil generally lightening from north to south. Thus in the north-east of Campeche Sound, oils are found with a very heavy gravity of 15 to 24 degrees API. To the south-west, but still offshore, the gravity runs from 28 to 32 degrees API. The central Reforma fields have a gravity of 25-35 degrees API but to the extreme south Pemex has made some extremely light finds—as high as 59 degrees API.

The lighter the oil the higher its value because the refinery is able to make a bigger proportion of high price products—such as petrol—from a barrel.

At present Mexico is producing about 50 per cent of its oil from heavy offshore finds and 50 per cent from lighter ones, both offshore and onshore.

Proportions

But with the oil market slack and customers able to pick and choose, Pemex is working hard to build up its reserves and production of light oil. The hope is that new development drilling in the Campeche Sound and Reforma will give it the capacity to produce 3m b/d by the end of the year, in the proportions 70 per cent light and 30 per cent heavy. But that does not mean that Pemex will necessarily choose to market the oil in these proportions.

In all Pemex plans to drill 73 exploration wells across the country this year and 237 development wells. Although over 80 per cent of Mexico has yet to be fully explored for hydrocarbons, the four most important areas are:

● Campeche. Estimated to contain some 34bn barrels of the country's proven hydrocarbon reserves—over 40 per cent. Water depths are shallow—60 to 200 ft—keeping development costs relatively low. Wells are extraordinarily productive—rates of 50,000 b/d have been recorded in the largest field, Cantarell.

● Reforma. Some 13bn barrels have been proven in this onshore cluster of fields, extending over an area of 7,000 square miles. Wells are particularly deep, 15,000 ft or more.

● Chicontepec. This lies in the traditional production area of the Mexican oil industry and Pemex says that Chicontepec is the second most important source of proven hydrocarbon reserves, with some 17.5bn barrels. The area is not a particularly attractive development prospect, however. The wells are shallow but reservoir characteristics are poor and flow rates are low—just 30 to 40 b/d. Pemex estimates that it will have to drill some 14,000 wells over the next decade to develop Chicontepec.

● Sabinas. Located in the north, this is the country's biggest find to date of non-associated natural gas. Over 7,000bn cubic ft of dry natural gas have been proved in the area and production is currently running at about 200m cfd. Last year Pemex made a commercial gas find at the northern end of the Gulf of Cortes.

CONTRACTED OIL EXPORTS

('000 barrels a day)

		Per cent share
Brazil	61.2	3.6
Canada	51.0	3.0
Cent. America and Carribbean	73.1	4.3
France	103.7	6.1
Israel	78.2	4.6
Italy	81.6	4.8
Japan	139.4	8.2
Philippines	10.2	0.6
Portugal	10.2	0.6
South Korea	20.4	1.2
Spain	215.9	12.7
UK	91.8	5.4
Uruguay	10.2	0.6
U.S.	753.1	44.3
Total	1,700.0	

A FINANCIAL TIMES SURVEY

LATIN AMERICAN SURVEYS 1982

Publication Date 1982	Survey
May 7	Venezuela
May 12	Latin American Insurance
June 29	Latin American Banking and Finance
July 26	Panama
October 6	Peru
November 30	Brazil
December 15	Andean Pact
Date to be advised	
Latin American Energy	

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FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

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Foreign policy obsessively focused on neighbouring U.S.

ANY DOUBTS about why Mexico's foreign policy is so intensely nationalistic and obsessively focused on its neighbour, the U.S., should be cleared up by a visit to the new *National Museum of Interventions*. Housed in the 16th century convent of Churubusco in Mexico City, the museum relates with the aid of documents, photographs and weapons the long and bitter history of U.S.-Mexico entanglements.

Mexico was long under the rule of Spain and after it gained independence from Madrid, was occupied by France for five years in the mid-19th century. But the U.S. is the number one villain in the museum, which is said to be the only one of its kind in the West.

The U.S. took away half of Mexico's territory in 1848 and marines occupied the port of Veracruz in 1914. U.S. and other foreign interests dominated the Mexican oil industry until it was nationalised in 1938. Even today Mexicans are still suspicious of the "colossus to the north." Children are taught to be wary of Uncle Sam. They are flocking to the museum in droves.

One quote from a U.S. mining publication of 70 years ago which appears on the wall of the museum says: "Mexico should be U.S. territory and its inhabitants U.S. citizens." The U.S. had its eye on Mexico's mineral wealth.

Mexico's foreign policy cannot be fully understood without reference to the past. More than most countries, Mexico's policy has been moulded by history—and the museum is making sure that nobody forgets the past.

Emboldened

Emboldened by its oil wealth, Mexico feels that it can now afford to cock a snook at the U.S. It is fair to say that up until the López Portillo administration, Mexico, despite its grievances with the U.S., still looked over its shoulder at how Washington would react to its policies.

The U.S. is Mexico's largest trading partner and also the magnet for millions of poor Mexicans fleeing the country's poverty in search of work. Mexico is the U.S.'s third biggest overseas market and the source of 5 per cent of its oil needs—with the potential to supply a great deal more.

Now that it is the world's fourth largest oil producer, Mexico's foreign policy has become much bolder and more independent of the U.S. Mexico has always believed that a "multi-polar" world is a safer place in which to live than one dominated by "bi-polar" tensions between the superpowers. It is now putting this belief into practice.

The irony is that U.S.-Mexico relations are better now than they have been in a long time, despite Mexico's denunciation of Washington's policy in turbulent Central America of backing Right-wing military governments. The two countries have "agreed to disagree" over Central America. It remains to be seen for how long the major differences will last before they affect the bi-lateral relationship between them.

President José López Portillo and President Reagan have the same kind of close personal relationship which Giscard d'Estaing, the former French president, and Chancellor Schmidt of West Germany had. This friendship is the product of the belief by both Sr López Portillo and Mr Reagan that it is in the best interests of both countries to put the relationship on solid ground, since there are so many conflicting bilateral interests.

Mr Reagan has gone out of his way to show deference to Mexico—unlike Mr Carter, whose rather patronising, though well-meaning approach infuriated Mexican officials. Mr Carter has still not been forgiven for the gaffe he made at a state dinner in 1979 when he announced that he once had Montezuma's revenge (diarrhoea) as a young man in Mexico.

Mr Reagan attended the North-South summit, hosted by Mexico last year in Cancún, against the wishes of his advisers because he did not wish to offend his neighbour.

The summit, which brought together 22 world leaders from rich and poor nations, showed that Mexico plans an increasingly active role in Third World politics.

Central America is Mexico's main priority. It fiercely opposes Washington's policy of supporting right-wing military dictatorships in the face of popular revolutions. It has offered itself as an intermediary to promote negotiations to bring peace to the region, emphasising a number of differences in approach.

- Whereas the U.S. is arming the junta in El Salvador and is pushing for elections on March 28, Mexico supports the left-wing rebels and has repeatedly called for a negotiated political settlement to end the civil war.
- Whereas the U.S. has cut off aid to the left-wing Nicaraguan Government and has threatened to intervene militarily if the Sandinistas do not stop their alleged arms shipments to El Salvador, Mexico is Nicaragua's main aid donor and staunch ally.
- Whereas Washington wants to renew military aid to the right-wing military government in Guatemala so that it can defeat the insurgents, Mexico is quietly establishing contacts with the rebels.

Mexico believes that Washington's policy of viewing Central America's unrest through the optic of East-West relations is shortsighted. The Government argues that the U.S. should concentrate more on the dire social and economic problems which are at the root of the violence in the region. Mexico is doing this and supplying Central America with oil on concessionary terms.

Foreign policy in Mexico has traditionally been much more liberal than the conservative domestic politics of the Institutional Revolutionary Party which has ruled Mexico for 53 years. The current radical approach helps to fend off Left-wing criticism at home.

But in the case of Central America, which Mexican officials like to point out is as much their backyard as the U.S.'s, there is not much posturing.

"We are really afraid that the mistakes of 20 years ago will be repeated," said a senior Foreign Ministry official, referring to the U.S. blockade of Cuba. Mexico enjoys excellent relations with Cuba and contends that the U.S.'s aggressive attitude towards Nicaragua could push the country, like Cuba, into the Soviet camp.

Mexico is encouraging the formation of populist and nationalist governments in Central America in the belief that this is the way to stop the area falling into Communist hands.

State Department officials in Washington, exasperated by Mexico's policy, believe that the country is playing with fire. In their view the revolutionary bug will eventually creep up the spine of Central America and into Mexico and its oilfields.

Mexican officials, on the other hand, believe that it is counter-productive for the U.S. to act against what they call "the course of history."

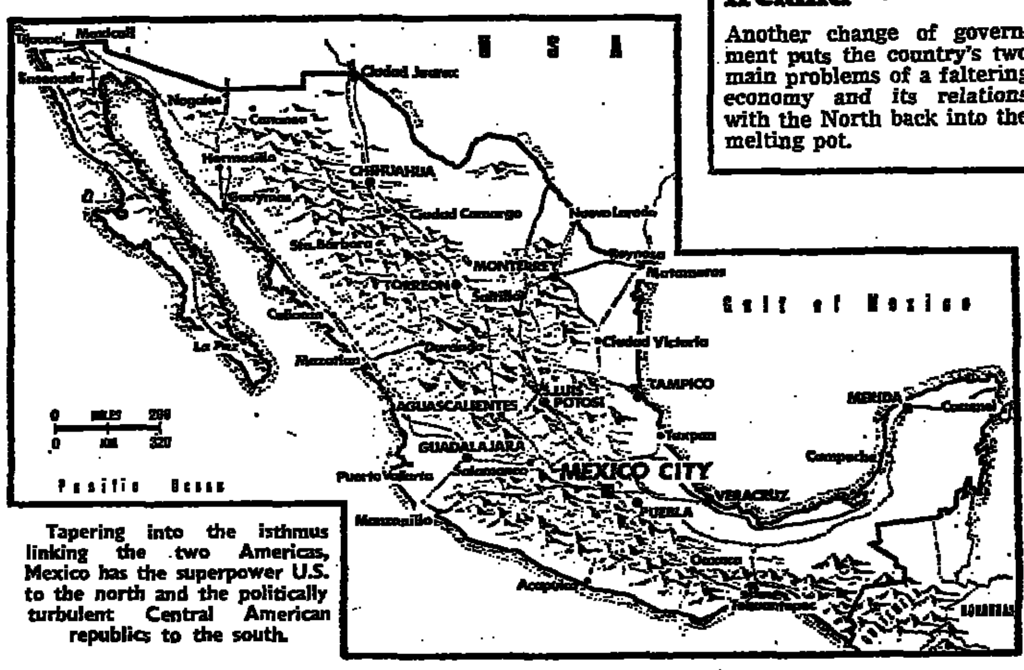
It should not be forgotten that Mexico had its revolution in 1910. While there are still a great many injustices in the country, Mexican society is not essentially feudal or repressive in the way that it is in El Salvador and Guatemala.

Many observers believe that the acid test of Mexico's foreign policy towards Central America will come when the country's southern neighbour, Guatemala, erupts into revolution—as seems likely to happen.

Will Mexico support the rebels fighting on its doorstep? So far, its support for the Guatemalan insurgents has been low key. This, say officials, is because the Guatemalan opposition has been splintered for a long time and it is therefore difficult to establish firm contacts.

Efforts are now being made, however, to form the first united opposition front. Mexico is watching the moves with great interest.

W.D.C.



Tapering into the isthmus linking the two Americas, Mexico has the superpower U.S. to the north and the politically turbulent Central American republics to the south.

European Surveys in the FT

The following surveys on European countries are scheduled to appear over the next few weeks.

Italy

The need to carry out long-overdue economic adjustments and a possible shift in the political balance of power make this a significant year. There are signs of a new mood of determination.

Portugal

Membership of the EEC is still the main target. Will its leaders achieve favourable terms, given the economy's lack of consistent growth?

South Germany

The region comprising Bavaria and Baden-Wuerttemberg, both states with a long record of sound economic growth and successful in their efforts to attract high technology industries.

Ireland

Another change of government puts the country's two main problems of a faltering economy and its relations with the North back into the melting pot.

Devaluation has put a stop to lavish tourist spending abroad

Hopes of end to tourism deficit

MIDDLE-CLASS Mexicans, who have been voting with their air tickets and pouring into the U.S. for holidays and spending sprees, were dealt a severe blow by last month's devaluation of the peso. Overnight the cost of a holiday in the U.S. shot up by 40 per cent.

For the past year Mexicans have been taking advantage of the over-valued peso to stream over the 2,000-mile border between the two countries in search of fun, cheap consumer goods, and property. Mexico's increasingly affluent middle-class, whose standard of living has been significantly raised by the country's oil boom, joked that the best buy in Mexico last year was the dollar.

One representative of a major U.S. bank said that he used to receive calls from rich Mexican clients asking whether there was any limit on the number of flats you could buy in the U.S. "These people were buying flats at $200,000 a throw and thought nothing about buying a couple," he said.

Week-end

It was well known that a Mexican could have a week's holiday in Las Vegas, Nevada, including air fare, for less than a long week-end in the local resort of Acapulco—provided he didn't lose at the gambling tables.

Preliminary figures from the U.S. Commerce Department reveal that for the first time Mexican tourists spent more per head in the U.S. in 1981 than any other nationals. Mexicans spent an average $868, $72 more per head than their nearest rivals, the Venezuelans.

The result was that 1981 was a black year for Mexico's tourism industry, which is a crucial foreign exchange earner and a major employer. Moreover, but for the devaluation, which is now making Mexicans think twice about taking a holiday abroad, the traditional tourism surplus would have swung into an unthinkable deficit this year.

According to Banamex, the second largest commercial bank in Mexico, 3.9m Mexicans spent their holidays abroad last year, a 20 per cent increase. On the other hand, the number of foreign visitors to Mexico in 1981 dropped by 4 per cent to 4m because of high prices and the recession in the U.S., Mexico's main catchment area.

But whereas expenditure by foreign tourists in Mexico went up by a mere 4.7 per cent in 1981 to $1.75bn, Mexican expenditure abroad increased by a massive 52 per cent to $1.54bn. Banamex estimates that the tourism balance last year plummeted 67 per cent to $214m.

Even if short border crossings are included in the tourism account the picture is just as bleak. Mexicans spent $4.6bn, a hefty 51 per cent increase, visiting places like San Diego, California, and Houston, Texas, for an afternoon's shopping. American citizens visiting Tijuana for an afternoon at the bullring increased their expenditure by only 28 per cent to $4.7bn.

As a result the overall surplus on the tourism account plunged by 75.5 per cent to $308m. The fall could not have come at a worse time for the tourism industry, which contributes 3 per cent of Gross Domestic Product and directly employs about 650,000—five times as many as Pemex, the state oil concern—with many more in related services.

Mexico's oil boom is over. The country is wrestling with serious balance of payments problems in the face of the world oil glut.

It is hard to judge the impact of the devaluation on tourism. But clearly it is an area where positive results should be quickly seen.

Banamex estimated before the devaluation that this year there would be a first-ever overall deficit on the tourism account of $290m. The bank now believes that there could be a small surplus. Travel agencies are reporting the cancellation of holdings abroad by Mexicans and there has also been a slight increase in the number of foreign tourists. Hotels in the main resorts are reportedly booked up for Easter.

The devaluation will intensify inflation this year, since the Mexican economy is closely tied to the dollar. But the price of tourist items like hotels, tours, restaurants should not be seriously affected.

If the Government allows hotel operators, many of whom have a dollar mentality, to get away with increasing prices by the amount of the devaluation then its good effects on the tourist industry will be quickly wiped out.

Banamex carried out a survey a year ago in 12 Mexican resorts and 57 in the U.S. and found that Mexican prices for a basket of tourist services (hotel, food and car rental) were eight per cent higher than in the U.S. Similar surveys carried out in 1977 and 1979 showed positive differentials in favour of Mexico of 45 and 28 per cent respectively.

Provided prices are not allowed to spiral, Mexico's tourist industry should now get itself back into a more competitive position.

The country has great tourist attractions, from deserted beaches on the Pacific coast to spectacular Mayan ruins in the Yucatan peninsula. In addition, there is now an extra reason for visiting the polluted, congested capital, Mexico City (population 14m) apart from seeing the famous anthropological museum.

The 18th and 19th century buildings behind the National Palace in the Zocalo (main square) which have been allowed to fall into ruin are now being restored.

Traffic has been cleared from the area. Early evening, when the buildings are bathed in soft lights, is the best time to wander through these streets and imagine how beautiful Mexico City must have been before it succumbed to urbanisation.

Apart from the devaluation, the authorities have introduced a novel and nightly unpopular device to attract more foreign tourists and penalise Mexicans for going abroad. Tourists are only charged 100 pesos airport tax when they leave the country; Mexicans have to pay 300.

W.D.C.

The resort of Acapulco draws an endless stream of American tourists seeking sun and entertainment. Strolling musicians (inset) are a feature of the tourist scene.

TELEVISION

BBC 1

6.40-7.55 am Open University (Ultra High Frequency only). 9.08-12.07 pm For Schools, Colleges. 12.30 pm News After Noon. 1.00 Pebble Mill at One. 1.45 Trumpton. 2.01-3.00 For Schools, Colleges. 3.15 Songs of Praise from Tenby, Dyfed. 3.53 Regional News for England (except London). 3.55 Play School. 4.20 Mighty Mouse. 4.25 Jackanory. 4.40 Scooby and Scrappy Doo. 5.00 John Craven's Newsround. 5.05 Blue Peter. 5.35 The Perishers.

5.40 News.
6.00 Regional News Magazines.
6.25 Nationwide including "Watchdog."
6.55 Doctor Who, starring Peter Davison.
7.20 Bret Maverick, starring James Garner.
8.10 Panorama.
9.00 News.
9.25 Love Story: Alexa by Andrea Newman.
9.55 Police: Special discussion on the series with Ludovic Kennedy.
10.45 Film '82 with Miles Kington.
11.15 Pete Sayers Entertains: "Self Sufficiency."
11.38 News Headlines.
11.40 The Computer Programme.

Chris Dunkley: Tonight's Choice

Monday's bias towards fact continues: there's not a scrap of fiction in tonight's six most notable programmes. In ITV's *Nature Watch* Julian Pettifer talks to Ray Goodwin who 12 years ago stalked his prey in the Norfolk countryside as a poacher. Today he stalks animals with a rifle microphone, having become a leading natural history sound recordist. The third in BBC-2's *Imagined Worlds* series feature Moslem physicist Professor Abdus Salam who won the Nobel Prize for his work on the "grand unification theory." He talks about his search for a single statement describing the entire universe.

In *Panorama* on BBC-1 Babrak Karmal, the Soviet-approved premier of Afghanistan, gives his first major interview since the Russian invasion. *Horizon*, BBC-2, is about the boom in private medicine in Britain: will it ruin the NHS or help it by relieving the pressure and will private medicine do anything to tackle the problem of an ageing population with all the consequent medical needs?

In *Police* on BBC-1 Ludovic Kennedy presents a review of the notorious documentary series. Those taking part include the Chief Constable who gave permission for his force to be filmed, and Shadow Home Secretary Roy Hattersley. The programme will also give the results of two opinion polls.

BBC 2

6.40-7.55 am Open University.
11.00-11.25 Play School.
2.00 pm Long, Short and Tall Stories.
2.25-2.40 Maths Help.
†3.35 Star Movie: "Alice Adams," starring Katherine Hepburn.
5.10 Can You Hear Me?
†5.40 Laurel and Hardy in "County Hospital."
5.55 Maggie.
6.25 Riverside.
6.55 News Summary.
7.00 A Tall Story.
7.45 *Imagined Worlds.*
8.15 Marti Caine.
9.00 The Mike Harding Show.
9.30 Horizon.
10.20 The Blues.
10.45-11.35 Newsnight.

LONDON

9.30 am Schools Programmes. 12.00 Cockleshell Bay. 12.10 pm Rainbow. 12.30 That's the Way. 1.00 News, plus FT Index. 1.20 Thames News with Robin Houston. 1.30 About Britain. 2.00 Money-Go-Round: Joan Shenton and Tony Bastable investigate consumer problems. †2.30 Monday Matinee: "The Card," starring Alec Guinness and Glynis Johns. 4.15 Dr Snuggles. 4.20 Graham's Ark. 4.45 Murphy's Mob. 5.15 Mr and Mrs.

5.45 News.
6.00 Thames News with David Bellin and Rita Carter.
6.25 Help! with Viv Taylor Gee.
6.35 Crossroads.
7.00 Nature Watch.
7.30 Coronation Street.
8.00 Dead Ernest.
8.30 World in Action.
9.00 Hill Street Blues, starring Daniel J. Travanti.
10.00 News.
10.30 The Royal Film Performance 1982: Tonight at London's Leicester Square Odeon, the stars and technicians of "Evil Under The Sun" will be presented to The Queen and Prince Philip:
11.15 Thriller.
12.35 am Close: Sit Up and Listen with Roy Plomley.

† Indicates programme in black and white

All IBA Regions as London except at the following times:

ANGLIA

1.20 pm Anglia News. 2.30 Monday Film Matinee: "Strangers: The Story of a Mother and Daughter," starring Bette Davis and Gena Rowlands. 5.15 University Challenge. 6.00 About Anglia. 6.30 Movie Memories. 11.15 The Palace Presents: Roger Miller and Melba Moore join host Jack Jones. 12.10 am The Chap Next Door.

BORDER

1.20 pm Border News. 2.00 Film: "The Iron Maiden," starring Michael Craig. 3.45 Money-Go-Round. 5.15 Bygones. 6.00 Lookaround Monday. 6.15 Canon in the Kitchen. 6.30 Mr and Mrs with Derek Batey and Susan Cuff. 11.15 RL Action. 12.00 Border *News Summary.*

CENTRAL

1.20 pm Central News. 2.00 The Monday Screen Matinee: "Stolen Hours," starring Susan Hayward, Michael Craig and Diane Baker. 3.45 Money-Go-Round. 6.00 Central News. 11.15 Central News. 11.20 Left, Right and Centre. 12.00 Paris By Night. 12.25 am Come Close.

CHANNEL

1.20 pm Channel Lunchtime News, What's On Where, and Weather. 2.30 The Monday Matinee: "Madame Sin." 5.15 Emmerdale Farm. 6.00 Channel Report. 6.30 The Two Of Us. 10.28 Channel Late News. 11.15 Tenspeed and Brown Shoe. 12.10 am News and Weather in French.

GRAMPIAN

9.25 am First Thing. 1.20 pm North News. 2.30 Monday Matinee: "Rockets Galore," starring Jeannie Carson, Donald Sinden and Roland Culver. 6.00 North Tonight. 6.30 Cause For Concern. 11.15 The Palace Presents, featuring Vikki Carr, Lou Rawls and Eddie Fisher. 12.15 am North Headlines.

GRANADA

1.20 pm Granada Reports. 2.30 Monday Matinee: "A Kid For Two Farthings," starring Celia Johnson and Diana Dors. 5.15 Dick Turpin. 6.00 Private Benjamin. 6.30 Granada Reports. 9.00 Quincy. 11.15 Rugby League Action. 12.00 The Odd Couple.

HTV

1.20 pm HTV News. †2.30 Monday Matinee: "High Treason," starring Liam Redmond. 5.15 Diff'rent Strokes. 6.00 HTV News. 10.28 HTV News. 11.15 Parents and Teenagers. 11.45 The Living Legends of Jazz and Blues: B. B. King.

HTV Cymru/Wales—As HTV West except: 12.00-12.10 pm Dacw Mam Yn Dwad. 4.15-4.20 Mr Magoo. 4.45-5.15 Sêr. 6.00 Y Dydd. 6.30-7.00 Report Wales. 8.30-9.00 Yr Wythnos. 11.15 World In Action. 11.45-12.15 am Parents and Teenagers.

SCOTTISH

1.20 pm Scottish News. 2.00 Monday Matinee: "I Walk The Line," starring Gregory Peck, Tuesday Weld and Estelle Parsons. 3.45 Money-Go-Round. 5.15 Diff'rent Strokes. 6.00 Scotland Today. 6.40 Crimedesk. 11.15 Monte Carlo Show: Ben Vereen. 12.10 am Late Call.

TSW

1.20 pm TSW News Headlines. 2.30 "Madame Sin," starring Bette Davis, Robert Wagner and Denholm Elliott. 4.12 Gus Honeybun's Magic Birthdays. 5.15 Emmerdale Farm. 6.00 Today South-West. 6.30 The Two Of Us. 10.32 TSW Late News. 11.15 Tenspeed and Brown Shoe. 12.10 am Postscript. 12.15 South-West Weather.

TVS

1.20 pm TVS News. 2.30 Monday Matinee: "The 39 Steps," starring Kenneth More. 5.15 Radio. 5.30 Coast To Coast. 6.00 Coast To Coast (continued). 6.30 Emmerdale Farm. 12.35 am Company.

TYNE TEES

9.20 am The Good Word. 9.25 North-East News 1.20 pm North-East News and Lookaround. 2.30 Monday Matinee: "All The Way Up," starring Warren Mitchell. 5.15 Diff'rent Strokes. 6.00 North-East News. 6.02 Mr and Mrs. 6.30 Northern Life. 10.30 North-East News. 10.32 Briefing. 11.15 Hammer House of Horror. 12.10 am Three Million and Rising.

ULSTER

1.20 pm Lunchtime. †2.30 Monday Matinee: "Nurse Edith Cavell," starring Anna Neagle. 4.13 Ulster News. 5.15 Radio. 5.30 Good Evening Ulster. 6.00 Good Evening Ulster. 6.30 Mr and Mrs. 9.00 Quincy. 10.29 Ulster Weather. 11.15 Face Your Future. 11.40 News at Bedtime.

YORKSHIRE

1.20 pm Calendar News. 2.30 Monday Matinee: "The 39 Steps," starring Kenneth More. 6.00 Calendar (Emley Moor and Belmont editions). 6.30 It's a Vet's Life. 9.00 Quincy. 11.15 RL Action.

RADIO

(S) Stereophonic broadcast

RADIO 1

5.00 am As Radio 2. 7.00 Mike Read. 9.00 Simon Bates. 11.30 Dave Lee Travis. 2.00 pm Paul Burnett. 3.30 Steve Wright. 5.00 Peter Powell. 7.00 Stayin' Alive with Andy Peebles. 8.00 David Jensen. 10.00-12.00 John Peel (S).

RADIO 2

5.00 am Ray Moore (S). 7.30 Terry Wogan (S). 10.00 Jimmy Young (S). 12.00 Gloria Hunniford (S). 2.00 pm Ed Stewart (S). 4.00 David Hamilton (S). 5.45 News; Sport. 6.00 John Dunn (S). 8.00 Folk on 2 (S). 9.00 Humphrey Lyttleton with the Best of Jazz (S). 9.55 Sports Desk. 10.00 Monday Movie Quiz. 10.30 Star Sound. 11.00 Brian Matthew with Round Midnight. 1.00 am Truckers' Hour (S). 2.00-5.00 You and the Night and the Music (S).

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Morning Concert (S). 8.00 News. 8.05 Morning Concert (continued). 9.00 News. 9.05 This Week's Composer: Franz Liszt (S). 10.00 Music for Organ (S). 10.50 Bournemouth Sinfonietta (S). 12.15 pm Music for Two Pianists (S). 1.00 News. 1.05 BBC Lunchtime Concert (S). 2.10 Matinee Musicale (S). 3.10 New Records (S). 4.55 News. 5.00 Mainly For Pleasure (S). 7.00 Goethe and Love (S). 7.45 Music of Eight Decades:—Concert from the Queen Elizabeth Hall, London, part 1: Bartok (S). 8.15 Livings. 8.35 Concert, part 2: Oliver Knussen (S). 9.30 The Lyttleton/Hart-Davis Letters. 9.50 Goethe Settings: Song recital, Schubert and Wolf (S). 10.30 Jazz in Britain featuring the Chris Francis Trio (S). 11.00 News. 11.05-11.15 Imagin'd Corners (S).

RADIO 4

6.00 am News Briefing. 6.10 Farming Week. 6.25 Shipping Forecast. 6.30 Today. 8.35 The Week on 4. 8.43 Miles Kingston delves into the BBC Sound Archives. 8.57 Weather, Travel. 9.00 News. 9.05 Start the Week with Richard Baker (S). 9.55 National Gardens Scheme Charitable Trust. 10.00 News. 10.02 Money Box. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.05 Down Your Way visits Marlow. 11.50 Poetry Please! 12.00 News. 12.02 pm You and Yours. 12.27 Semi-Circles with Paula Wilcox and David Wood. 12.55 Weather, travel, programme news. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping Forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Afternoon Theatre (S). 4.35 Scene From a Bridge. 4.45 Story Time. 5.40 PM: News magazine. 5.50 Shipping Forecast. 5.55 Weather, programme news. 6.00 News, including Financial Report. 6.30 I'm Sorry I Haven't a Clue. 7.00 News. 7.05 The Archers. 7.20 Start the Week with Richard Baker (S). 8.00 The Monday Play (S) 9.15 Letter From Bethesda. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 Science Now. 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

Romans ending baffled many

THE WEEK IN THE COURTS

BY JUSTINIAN

THE ABRUPT ending last Thursday at the halfway stage of the trial of Mr Michael Bogdanov, the director of the play *Romans in Britain*, was baffling to the public. Likewise, the ruling of Mr Justice Staughton that Mr Bogdanov had a case to answer, in that the Sexual Offences Act, 1956, applied to a dramatic performance in the theatre, is baffling to the lawyer.

The device employed by Mrs Mary Whitehouse and her self-appointed fellow guardians of our morals, to circumvent the need for the Attorney General's permission to conduct a prosecution for the performance of an obscene play, was to look to another part of the criminal law that required no official authorisation but could be prosecuted by a private individual without more ado.

The bafflement over the court proceedings focused on the action of prosecuting counsel. It has long been the tradition of the Bar that if counsel at any stage is convinced that it would not be safe to leave the case to the jury, because of the lack of evidence, it is his duty to acquaint the court with his views and ask leave to withdraw the prosecution. If that is done, the court invariably accedes to the request. Counsel has this duty irrespective of any instructions from his client, whether it be a private person or the Director of Public Prosecutions.

Even though the client violently disagrees with his counsel, it would be wrong for the latter to go ahead once he had formed a view that the prosecution should not continue. Mrs Whitehouse was told just that by Mr Ian Kennedy, QC. She did not demur.

But the judge did. He thought the dropping of the prosecution was misconceived and inappropriate. He was led to that view because he had only just previously held that there was sufficient evidence against Mr Bogdanov, and therefore counsel could not properly be wishing to withdraw the prosecution on the ground of the insufficiency of evidence.

The wrangle between Mr Kennedy and the judge was complicated by the fact that the defence had been told of Mr Kennedy's decision; and perhaps reluctantly, because it wanted to have its say in court and call a number of famous people to talk the play's artistic merits, it accepted the abortive end to the trial.

Faced with what one spectator described, not inappropriately, as a bugger's muddle, the Attorney General extricated everybody (including the Honourable Mr Kennedy) and cut the Gordian knot with a *nolle prosequi*, a Latinised form of the Crown's way of saying that it does not wish the case to be further pursued. It is a device that cannot be called into question by any court. No doubt parliamentarians may ask for an explanation.

The extrication from this forensic farce could have been achieved rather more simply had the judge ruled that there was no legal way round the Theatres Act 1968. That is what he should have done.

The prime argument for the defence was that the law made a distinction between the real thing and a simulated sexual act, a distinction made by the Williams Committee on Obscenity and Film Censorship *to justify restrictions, but not* a prohibition upon live performances on the stage. But the law has not yet made this a distinction.

If two men engage in a simulated homosexual act in a public lavatory to shock any bystanders they commit an act of gross indecency, just as much as if they had done it for their own sexual gratification. The real distinction between what Mr Bogdanov, as the play's director, procured from his actors in the homosexual rape scene and the public lavatory activity is the fact that the former was a dramatic performance of a scripted play in the theatre.

Of course, the Sexual Offences Act is applicable to theatres. If two members of the audience engage in a homosexual practice during the performance they are liable to be prosecuted for an act of gross indecency. If the actors departed from their scripted parts and indulged in an indecent act they similarly could be prosecuted. This would no longer be acting in the course of a dramatic performance.

The Theatres Act 1968 set out to achieve a number of aims. It abolished the censorship functions of the Lord Chamberlain, what the philosopher Nietzsche would have described as a triumph for freedom of expression over the anachronistic form of censorship; "The masters have been abolished; the morality of the common man has triumphed," he wrote.

The morality of the common man was expressed for this country in 1968 in the provisions for criminal proceedings instituted by or with the consent of the Attorney General for performances of plays that are obscene. The Theatres Act 1968 sought to do for the theatre what the Obscene Publications Act 1959 did for authors and publishers of books *and magazines. The Act went* on to say that no one should be prosecuted for anything said or done in the course of the performance of a play for "an offence at common law" where the essence of the offence was "obscene, indecent, offensive, disgusting, or injurious to morality."

Since the trial ended, the defenders of theatrical freedom have wailed at the fact that the draftsman of the 1968 Act had omitted three vital words to the limitation of prosecutable offence — namely "or statute law." These campaigners for swift parliamentary action to remedy this supposed lacuna in the 1968 Act impliedly acknowledge the prosecution's argument (which found favour with Mr Justice Staughton) that the omission of the three words from the present Act meant that acts made criminal by statute were not excluded by the 1968 Act. By so arguing they misread the legislation.

The Theatres Act was intended as a code of behaviour for those engaged in the production and performance of live entertainment on the stage of our theatres. So long as their actions are not obscene, they are protected from the criminal law. And whether their actions are considered as being obscene and prosecutable is ultimately a matter for the Attorney General.

The only statutory offence that could relate to the theatre was an ancient provision in the Vagrancy Act 1824. This involves any act consisting of wilful exposure to public view of an indecent exhibition. The framers of the Theatres Act 1968 specifically singled that offence out as being non-prosecutable if done in the course of a dramatic performance. It was quite unnecessary for the draftsman to write in a catch-all phrase excluding all other criminal statutes (like the Sexual Offences Act 1956) because those crimes could not be committed within the context of a dramatic performance. Parliament had declared that only obscene acts were prohibited by the law. By contrast, it was vital to exclude common law offences relating to obscenity and indecency (as *was done in relation to litera*ture when the Obscene Publications Act 1959 was passed) because, without express words, the common law would survive the statutory law.

The theatre needs no greater threat than the law provides in the Theatres Act 1968. The ruling given by Mr Justice Staughton, in so far as anyone may hereafter wish to cite it as an authority, ought to be consigned to that large judicial dustbin known as the unreported decisions of the courts, because the jurisprudence that it purports to announce is unhelpful, if not palpably wrong. Parliamentarians should not need to waste their time altering the Theatres Act 1968. Art for art's sake is amply protected.

RACING

BY DOMINIC WIGAN

THERE WAS a major Lincoln gamble on the Gavin Pritchard-Gordon-trained Winart on Saturday morning. Those who rightly favour a first-time-out winner for this cavalry charge and one who revels in the mud will do well to keep the colt in their calculations.

Winart was the facile conqueror of 12 rivals, headed by the odds-on Hillsdown Lad, in a maiden run on soft ground over the one-mile Lincoln trip at Nottingham only nine days after last year's big handicap. He will be ridden by George Duffield on Saturday.

His supporters could not have hoped for a more advantageous riding arrangement.

Duffield enjoyed by far his best season in 1981 with almost 100 winners. He is, with Carson and Thomas, one of the three strongest lightweights riding and well worth the three or four pounds overweight he will have to put up in Saturady's renewal of the William Hill race.

Duffield, like Piggott, will be out to achieve his first-ever success in the initial leg of the Spring Double. Only Hide, Starkey, Cochrane and Fox of those down to ride in this year's Lincoln have previously been successful.

Piggott, for whom the race has been a disaster with a good number of losing favourites and second favourites in the past 30 years, teams up with Bunter on Saturday. The late-developing four-year-old trained for Piggott's close friend, Charles St George, by Ryan Price, is by Prince de Galles, who came close to landing a major Lincoln gamble some 12 years ago.

WOLVERHAMPTON
2.00—Aramoss
2.30—Standon Rock**
3.00—Lanka*
3.30—Wellfort
4.00—Village Mark***
4.30—Elsell
5.00—Karmali

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

While Stone Platt has collapsed in one area of textile machinery, **Mark Webster** finds optimism in another at two buy-outs from Sears

Painful trimming lays the ground for recovery

CYRIL ATKINSON decided more than two years ago that he might have to buy up the troubled knitting machine business of which he was managing director if he was to save it from closure.

He got his chance recently when the parent company, Sears Holdings, offered the Loughborough-based William Cotton group to its management in one of two management buy-outs.

Atkinson jumped at the chance because he believed that after three years of losses Cotton was about to turn the corner and show a profit this year.

He had feared that Sears would shut both Cotton and its sister company, Bentley Engineering, in Leicester (the other buy-out) to try to stem the haemorrhage of funds from its engineering division.

The textile machine making companies represented a substantial part of Sears engineering interests and contributed the bulk of the division's pre-tax losses which amounted to £15.7m in 1979 and 1980 and are expected to have been £3m to £4m in 1981.

The losses were the main reason for the sale of the two companies but Sears argued that it felt no crisis of confidence in their future.

Sears overriding interests are in retailing, footwear, betting and property and it felt that the textile machinery business did not fit its profile as a High Street trader.

The group said it had invested a considerable amount of money in the textile machinery business but had not seen any return. The sale to the management teams meant a £15m loss for Sears on the book value of the assets.

But at William Cotton the management is anxious to dispel any doubts about the future of the company. Atkinson, a bouncy 48-year-old, says the company took £250,000 in orders during its first week under the new management.

Even though Atkinson and two fellow directors mortgaged themselves up to the hilt to secure their 55 per cent equity stake in the company they are brimming with enthusiasm.

"It was not a decision taken speedily. We have a good financial base and the long term forecasts were examined by all the partners," says Atkinson.

He also says that the collapse of Stone Platt last week does not alter his optimism for the future since it is in a totally different field within textile machinery, so "nothing has really changed."

When Sears came round to the idea of a management buy-out a year ago, Atkinson and his partners had already prepared much of the ground.

The Industrial and Commercial Finance Corporation, which has been very active in management buy-outs, advised the team and concluded that a buy-out of Cotton's share equity would be the best course to take.

The company has been valued at more than £2.6m and management has made bullish sales forecasts that turnover will reach £10.9m this year compared with £7m in 1981.

William Cotton expects to show its first, modest profit this year after three years of losses by increasing sales and sharply reducing overheads. Sears has kept the 28-acre greenfield site which joins the factory to the nearby industrial estate and has held on to the factory building itself. Cotton will lease just over half of the 300,000 sq ft works while the remainder will be rented by Sears to other concerns.

The key question is why the new management reckons it can make the business pay when Sears clearly wished to pull out. Atkinson believes that the painful period of trimming which went on during the recession has left the company much healthier. It is also armed with a range of new products, a position which makes it something of an exception in view of a NEDO report on the industry (see column 5). At the same time, free of group restrictions, the company can speed the decision-making process and, it hopes, be more responsive to its market.

The base for future growth was laid by Sir Monty Finniston when he became chairman of Sears Engineering in 1977. During the boom years of the 1960s little money was ploughed back into developing new lines. As a result, European competitors increasingly took the lead in innovation. When Cotton's market in fully-fashioned knitting machines (acknowledged then as brand leaders) collapsed, there were no other lines to fall back on.

Sir Monty began a programme of selective purchasing of European companies and concepts which Cotton could develop. Atkinson was brought in from British Northrop, another textile machinery manufacturer, to lead a rejuvenated management team. During the four-year period of the change, the group was investing more than £500,000 a year on new products.

With the mixture of excitement and nervousness of a man about to propose, Atkinson explained that although the fully-fashioned machines—which knit shaped pieces—will remain the company's "bread and butter," the new range should provide the jam. The company will produce flat bed knitting machines with microprocessor control which knits unshaped lengths of material but allows easier pattern changes; new miniaturised fully-fashioned machines with microprocessor control and a revolutionary weaving machine with a moving drum instead of the traditional shuttle.

The company has grown to depend more and more on exports for its survival and 85 per cent of sales are now abroad.

"Now we have to maintain and build up our order book. We are not at all concerned with our ability to produce the goods. And we must also build the image of William Cotton. We've already got a good reputation in fully-fashioned but to build it up in the new areas could be the hardest task. No one wants to be the guinea pig," Atkinson remarks.

Hugh Routledge

Cyril Atkinson: £250,000 of orders in his first week

An industry in decline

WHILE William Cotton and Bentley Engineering have, with difficulty, weathered the storms of the past decade in the knitting machine manufacturing industry, many others have not survived. A rough reckoning by one industry expert shows that of the 26 manufacturers in the world making one specific type of knitting machine in 1976, only six are alive today.

A report by the National Economic Development Council's working party on the textile machine industry showed that output in real terms had declined more than in any other engineering sector since 1975.

Employment in the industry fell from 47,000 in 1970 to a provisional estimate of less than 20,000 in 1980. Britain also lost out to its foreign competitors in the vital export market with its share of total OECD exports shrinking from 12.9 per cent in 1970 to 8.4 per cent in 1979.

The basic reasons for the decline are those common to many other sectors of British industry. Despite boom conditions in the 1950s and 1960s, little was reinvested in research and development so that British companies began to fall behind in the world market. Foreign competitors offered cheaper machines and delivered them on time.

When the boom came to an abrupt end in the mid-1970s, the industry faced a painful period of readjustment. It was hit at one time by global recession, changing fashions and increasing foreign competition, which forced many factories to close.

The two companies in the buy-out argue that their recent moves to trim overheads, rationalise factory use and product range, cut staff numbers and introduce new machines are enough to secure their future. All they need now, they say, is to fill their order books.

But it is on that score that one independent observer of the industry has his biggest doubts, not just about William Cotton and Bentley/Wildt-Mellor-Bromley, but about the handful of textile knitting machine manufacturers left in Britain.

"I believe they have the right product range. The question is whether they will get out and sell it. At the moment, I have the impression that the Germans, the Swiss and the French are getting out and about in the market much more," he says.

Hugh Routledge

Derek Gwynne: Sears snapped up his idea and offered it back to him

Putting the best foot forward

BENTLEY Engineering's energetic sales manager, Tommy Littleton, likes to put things bluntly. "We'd put everything into double jersey and it fell off a cliff," he says unsmilingly. Since the heady days of the great knitwear boom in the 1960s, the Leicester-based Bentley Engineering and the company with which it has now merged, Wildt-Mellor-Bromley, have been through traumatic times.

The staff of the two companies has dropped from 5,500 to 1,150 as the recession has bitten deeper and the handsome profits of the boom years have crumbled into persistent losses.

Eighteen months ago, Sears agreed to a plan put forward by Derek Gwynne, the 57-year-old managing director, to merge the two, rationalise their production and make a dramatic reduction in factory overheads.

He little thought then that the plan would form the basis of a single company which he and three colleagues would buy from Sears. Unlike William Cotton, the management had not considered the idea of a management buy-out until Sears—largely inspired by what was happening at Cotton—approached them in October last year.

Gwynne and his colleagues are convinced that the work they were doing for Sears in rationalising the two companies will see its first fruits this year. "Not large enough profits, but profits," says Gwynne. From then on, thanks to the £3m which has been invested in the last four years on new machine tools, the company should become increasingly profitable, he argues.

Of the Stone Platt collapse, Littleton remarks that while it is "a terrible thing to happen" it will have no impact on Bentley. "There is no direct relationship between us," he says, illustrating the difference with the analogy that "if they were making motor cars we would be making plant for processing petrol."

Bentley and Wildt-Mellor-Bromley were considered natural bed-fellows by the management team. Bentley makes small diameter circular knitting machines for socks and hosiery while its sister company has a range of larger diameter circular machines which produce a continuous knitted tunnel of material for cutting up into jumpers, skirts and sweat-shirts.

Under the merger agreement, one machine shop and one assembly shop in two separate factories have been established compared with the four shops the two companies have used in the past. The amalgamation of departments is also taking place covering research and development, accounts and sales — which should reduce the company's labour costs.

The new management team is convinced that Sears decided to offload its textile machinery interests because they did not fit in with the overall group interests and not because they had no future.

"I think it has turned out to be a very opportune time for us to have acquired the company because the reorganisation we proposed to do on behalf of Sears is now complete. With the new products we have been designing over the past two or three years coming out shortly we will be turning the corner," he concludes.

But beneath the bluff confidence about the future, there is an understandable nervousness among the management team who stretched their personal resources to the limit to buy their share in the business. The Industrial and Commercial Finance Corporation which also assisted William Cotton helped the team with their purchase of the assets. Sears wanted an assets rather than shares buy-out in the case of Bentley because of the additional tax relief it will get. Sears still owns the factories and will be leasing them to Bentley.

The new management refuses to say how much it paid for the company. But as Gwynne says: "It's not every day you do a management buy-out on a company with a £17m turnover." Littleton says the company had a six-month order book and he is confident that the budgeted £17m turnover figure for 1982 will be reached.

The management's confidence rests partly on the fact that sock and hose machines sales have stabilised but also because it will be bringing new developments onto the market soon. "There are developments afoot in sock machines," says a secretive Littleton. The company is also working on all-purpose machines which will not become obsolete when fashions change.

THE ARTS

Sensations in Adelaide

by MICHAEL COVENEY

Regular readers of this page will recall with pleasure Andrew Porter's sumptuous accounts of his visits in the 1970s to the biennial Adelaide Festival. Late summer here has been a little cloudier than usual, but the skies are clearing and the sun beats down on the superb Festival Centre, a white scalloped construction situated in pleasant green parkland on the banks of the river Torrens.

The 1982 festival, one of the most efficiently administered I have experienced anywhere in the world, is proceeding triumphantly under the artistic directorship of Jim Sharman. (Sharman directed the London premières of *Jesus Christ Superstar*, *The Rocky Horror Show*, and Sam Shepard's *The Unseen Hand*.) It ended on March 20, but my first week here yielded three theatrical experiences I could have only reasonably expected to catch in the course of three years.

First: as is so often the case, I have crossed the world to discover a company that has been on our European doorstep for some years. The Wuppertaler Tanztheater, directed by Pina Bausch, is the most exciting ensemble I have seen since happening upon the Rustaveli *Theatre of Georgia in Mexico*. The company's theatrical dance style may owe something to such diverse influences as Robert Wilson, Peter Stein, Merce Cunningham, and Richard Foreman. But whatever the aesthetic derivation, the end result is like nothing we would glibly recognise as either theatre or dance. It is utterly sensational.

There are three Pina Bausch works on view: *1980* opens later on: I have seen *Kontakthof* (1978) and *Bluebeard* (1977). The former is presented in downtown Adelaide in the Thebarton Town Hall, an inspired choice of setting for a heart-stopping, insouciant display of sexual confrontation. *Two dozen dancers in a seedy* ball advance on the audience to the blare of the "Harry Lime" theme. Old German music hall songs, principally based on waltz and tango rhythms, comprise the rest of the soundtrack. The misery of childhood, the tentativeness of adolescent sexual urges, the dull thud of institutionalised relationships, the *brutality of tenderness*: all is conveyed in an endlessly fascinating exploration of body movement.

The ensemble is drilled by Bausch until it works like one finely tuned corporate machine of gesture and expressiveness. Hysteria breaks through, with two pink-clad human dolls fighting the endless round dance of conventional alignments. Falling shoulders, concave tummies, thrusting bottoms, and rolling hips make us look at the body in a completely new way. And then again, the choreography of hand-jiving, bottom-scratching, and even nose-picking gives a wonderful vulgarity and humour to the provocatively extended sequences that explode in a rush of movement, a telling repetition of the many violent diagonal and rectangular compositions.

Images of childhood recur. Suddenly there are just two dancers, boy and girl, facing each other across the dance floor. "I'll show you mine if you show me yours" they signal, removing their garments slowly as if playing strip poker without the cards. The company reassembles. A kiss becomes a bite on the chin, a supplicating nuzzle a chew of the shoulder, a gentle caress a grip like a vice. *Kontakthof* is an unforfrightening and unbroken. The contemporary stage.

Pina Bausch's brutalism comes straight and undiluted in *Bluebeard*. Our hero is bent like Krapp over his tape-recorder, playing snatches of Bartok's opera in a leaf-strewn, white painted inferno where Kafka meets de Sade. He and Judith play out a series of shocking encounters reflected and enlarged upon by a dejected, joylessly submissive *corps de ballet*. It is a conventionally structured piece. Again, there are slow sections that challenge endurance. I shall not easily forget, though, Bluebeard crashing round the room where girls lie on the floor, one leg supported on a chair. He grabs each chair from each leg. The limb falls lifeless to the ground, while the movement of Bluebeard is frightening an unbroken. The effect is peculiar and disturbing.

The two big play commissions are works by Patrick White (to be discussed in a second despatch) and David Hare's *A Map of the World*, in which the Sydney Theatre Company is directed by the author. The remarkable design is by Hayden Griffin and Eamon D'Arcy, the lighting by Rory Dempster, the music by Nick Bicât. The play will be directed for the National Theatre in the Lyttelton by Richard Eyre early next year. It is a marvellous, complex, polished, witty and moving play about how pampered liberalism copes with the problems of the Third World.

The setting is a UNESCO conference in India, where an Oxford - educated Indian novelist, under pressure from his publishers, has joined a left-wing British journalist and other delegates to put the world to rights. An actress Peggy Whitton, becomes a pawn in their intellectual game and she promises to sleep with whoever wins the private debate about art and poverty and how such things should be discussed. The whole show is, in fact, the subject of a film based on one of the novelist's books, and there is a series of breathtaking switches of stage reality that put the cumbersome workings of *The French Lieutenant's Woman* completely in the shade.

The writing gleams with a wonderful epigrammatic gloss: the journalist's concern with "the poor" is merely a prop to express his own inner discontent; socialism is a luxury of the wealthy; Peggy is putting her body where her mouth is; making love to an American woman is like climbing aboard a moving train. And the solution to the crossword clue "the plague of the earth" could be either zionism or slavery.

Hare is tackling an awful lot in this play. The life of the writer, the life of the actress, the impotence of art, but the value of refusing to retire from the ring. His cast, which includes Roshan Seth as the novelist, Penny Downie as Peggy, Robert Grubb as the journalist and Sheila Scott-Wilkinson as a CBS reporter whose loss of character tension is the one glaring weakness in the text, are all outstanding. The play moves on to Sydney and has received a most enthusiastic reception in Adelaide's well-appointed Opera Theatre.

Bluebeard is in the magnificent Festival Theatre, engine room of a complex whose windows, views, lighting, interior decoration and catering facilities—not to mention offices, bookstores and plazas—make you weep to think of the South Bank and the Barbican. The high cultural event here is the Australian première of Janáček's *The Makropulos Affair*. Making her Australian début as Emilia Marty is Elisabeth Söderström (she has played the role with Welsh National Opera and, along with Janáček's Katya and Jenufa, throughout the world). It is a great part, this 300-year-old woman (no relation to Mel Brooks's 200-year-old man) fighting to retain an elixir of immortality that she has unwittingly consumed at an early age.

The great part receives a truly great performance in which Söderström moves from avid pursuit of the formula through a labyrinthine legal underworld in Prague to a tremendously modulated exhibition of fraught emotionalism and erotic grandeur as her past, her lovers and her family all converge with bewildered complicity on the tragic climax. Spikey speak singing in offices and down telephones prepares you for an evening of Menotti monotony. Then those strings begin to sound, the Straussian *wash of orchestration* pushes up through the story and (not having heard the opera before) I sat goggle-eared and hypnotised as the largeness of action is stunningly complemented by intense, almost unbearably moving quotations from the composer's second string quartet has always been one of my Desert Island Discs. Will Roy let me take the opera, and La Söderström, too?

The Makropulos Affair was given for five performances in Elijah Moshinsky's production. Denis Vaughan conducted the State Opera of South Australia, with sets by Brian Thomson, costumes by Luciana Arrighi and lighting by Rory Dempster. The predominant colour scheme was black and white, a huge black sphinx dominating the second act backstage of Aida (Emilia in her latest manifestation is an opera singer) and the final act hotel room a lusciously stark arrangement of black leatherette seating. This was a high-flown, high-tech production that fully justified its billing on the festival. The orchestral playing seemed to me of a very high order and there were fine supporting contributions on stage from James Christiansen as Prus. William Bamford as Jank and Gregory Dempsey as Albert Gregor.

A scene from 'Bluebeard' by the Wuppertaler Tanztheater

Architecture

Ring up the curtain

by COLIN AMERY

Not a hundred yards from the new Barbican Arts Centre is the Museum of London where an exhibition is on until April 18 called *Curtains ! ! ! or A New Life for Old Theatres*. On a modest scale but in a pointed way it examines the great heritage of 19th and early 20th century theatre buildings throughout the country.

This is not just another conservationist whine because the material is presented in a way that speaks clearly for itself. The statistics are horrifying. In the last 30 years 83 per cent of all the Grands, Alhambras, Empires and Theatres Royal erected between 1900 and 1914 have been destroyed or irretrievably altered. Only 10 per cent of all this remarkable architectural activity is still in use for the purpose for which *it was designed — glamorous* nights at the theatre are confined now to few large cities.

A great deal of serious work has gone into this exhibition and into the accompanying book which is a complete gazetteer of all the surviving pre-1914 theatres and music halls of Great Britain. It should be compulsory reading for all Planning Officers, members of the Arts Council's "Housing the Arts" Committee, Sir Roy Shaw and Sir William Rees-Mogg.

First of all it shows how tremendously wasteful and extravagant many local authorities have been ignoring the building stock of theatres that exists and building new ones that are often no improvement *on the old*.

Secondly it shows how the theatre as a building type has been neglected by the architectural historians. Even Sir Nikolaus Pevsner's *Buildings of England* pays little attention to the one structure which in many towns had an importance to the community at the turn of the century, rivalling that *of the church*.

In the London Museum the exhibition designer Barry Mazur has made a series of proscenium frames that add the appropriate element of romance. At the approach to the show is a draped catafalque containing touching relics of the old; lost theatres. Fragments of plaster lie in their glass coffin as poignant reminders of a lost past.

In his introduction to the gazeteer, Iain Mackintosh writes "It is virtually impossible to underestimate the English intellectual's capacity to ignore and misunderstand the effect of environment upon creativity or performance."

The distinguished author of the great master work about theatres, *Modern Opera Houses and Theatres*, Edwin Sachs wrote in 1896 that the British were, "a people practically devoid of any feeling of architecture." This is what *Curtains ! ! !* is really about.

There is a philistinism in the field of the performing arts htat is sometimes incomprehensible. It manifests itself in bad theatre sets, often shameful opera and ballet sets brought out of mothballs, and above all in the lack of that indefinable quality "atmosphere" in many of the new arts centres and theatres.

To make their point crystal clear the organisers of the exhibition spotlight 54 theatres that could be resurrected and restored to active use. These are the forgotten theatres, the "sleeping beauties" that are now bingo halls, stores or just derelict. From Aberdeen to Wakefield there are theatres that could become again centres *of the community. In London* the forgotten ones are mostly in the suburbs—and in terms of cultural facilities it is the London suburbs that are the deprived areas.

The Hackney Empire and the Grand in Clapham are both now devoted to the mindless activity of bingo; in Dalston the theatre is a car auction room. The *Lyceum, off the Strand, has for* a long time been a Mecca ballroom. It is one of London's best theatres and is owned by the GLC. With a splendid portico by Samuel Beazley dating from 1834 that leads to a really grand staircase the Lyceum's greatest virtue is the interior by Bertie Crewe designed in 1904. Crewe was partly trained in France and his forte was the most vulgar and richly indigestible Baroque. He concentrated on theatres and later cinemas and the Lyceum is one of his best.

It should be restored and used again. It was managed by Henry Irving and is famous for a long association with the great Ellen Terry. It could seat 2,000 by modern standards and all the best features of the interior are just waiting to be cleaned and refurbished.

In Doncaster there is no theatre for touring plays, while the Grand Theatre of 1899 is wasted as a bingo hall. In Barnsley the splendid Theatre Royal is also used for bingo while a hall that is designated as a civic theatre has "as much atmosphere as a supermarket."

Bingo, too, holds sway in the magnificent theatre by that master theatre architect Frank Matcham in Longton. This town is the centre of the 300,000 people of the "Potteries" where *there is nowhere for touring* companies to visit. In Tunbridge Wells there is a secret opera house that has been completely forgotten by everyone except bingo fanatics. Here, of all places, a small theatre could flourish, and the intimate auditorium seats 750 people in balconies and gryphon decorated boxes. In Liverpool the glorious *Olympia sits out in Everton in* just the wrong place to be used for anything other than bingo. Also by Matcham, it is in the fruitiest oriental style with onion domes and a stage area that could have been flooded and used for aquatic performances.

Christopher Brereton comes up with an intriguing proposal for the reordering of London's theatres so that they are used to the greatest advantage. He suggests the Royal Ballet move into the Coliseum (which has never been right for opera), the English National Opera move to the Theatre Royal Drury Lane (which really should be an opera house) and the Lyceum be returned to use as a perfect theatre for musicals.

Covent Garden gains too by the separation of the Royal Ballet and the Royal Opera. This is a brilliant and logical idea that would be entirely possible to achieve within a relatively short time. London would gain immeasurably and imagine the pleasure of opera in Drury Lane theatre where the proscenium is narrower than the Coliseum and the whole feeling more intimate.

The exhibition goes on a two-year tour of the country starting with three months in Scotland. It is at the Museum of London until April 18.

The Museum of London is closed on Mondays.

Curtains ! ! ! is an exhibition that is full of ideas, but the book is an even better buy. It is published by John Offord Publications at £5.95. Is there new life for some of these old theatres or will it be curtains?

Coliseum

Madam Butterfly

by ANDREW CLEMENTS

The second part of the English National Opera's Puccini season brought a more than serviceable *Madam Butterfly* back into the repertory last Thursday. After the recent orchestral and vocal disasters in *Bohème*, it was a relief to encounter a cast without any critical weaknesses, and a conductor, Howard Williams, whose sympathy for the music could not be doubted. That the orchestral playing was not always immaculate suggested that the ENO orchestra is going *through a bad patch at present*. Textures were sometimes clotted when they should have been translucent, and rough-and-ready solo playing threw away some of the opera's more subtle tricks. But there was always life under the rugged surfaces, and none of the highlights suffered.

The success of the evening is greatly assisted by Colin Graham's no-nonsense production, revived this time by David Gollins. Butterfly's retinue could have been more carefully organised in the first act, so that thoughts of *The Mikado* or even *Aladdin* are firmly suppressed, but the entrances are managed smoothly, and melodrama is kept to a bare minimum. Elizabeth Vaughan's Cio-Cio-San is a confident, rounded assumption now; brittle rather than simply high-spirited in the opening act, she attained her best vocal form on the first night rather sooner than Kenneth Collins's Pinkerton, who only found true *focus for the second half of* their duet. Mr Collins's stage manner at the beginning of the opera, too, is surely more boorish than the letter of the scenario demands, but the duet ultimately generated all the requisite sentiment.

Neil Howlett's gentle, intelligent Sharpless lacks a clinching vocal distinction—more of diction than tonal quality — though everything else about his performance is successfully calculated. There is believably gentle Kate from Lynn Barber, her few moments gratifyingly seized, and a firm, fractionally over - histrionic Suzuki from Anne-Marie Owens. More of the English text is audible in this production than it was in Boheme, but the percentage is still not terribly high, certainly not sufficient for a newcomer to follow the plot unaided. Such experiences tempt one to the dangerous thought that perhaps opera in the vernacular is not invariably the aid to comprehension it is made out to be, particularly when some banalities are inevitable in even the most sensitive translation.

Ralph Richardson, Celia Johnson to star at the Strand

Ralph Richardson and Celia Johnson will star in Angela Huth's first stage play *The Understanding* which will open at the Strand Theatre on Tuesday April 27

Before coming to London it will open at the Richmond Theatre on Tuesday March 30 for two weeks and then at the Theatre Royal, Brighton, on Monday April 12 for a week.

St. John's, Smith Square

SPNM orchestral rehearsals

The imaginative series of concerts at St John's, put on by the Society for the Promotion of New Music and "offering a platform for ... talented but not yet established composers," continued last Friday. The orchestra was that of the National Centre for Orchestral Studies, the expert conductor John Carewe; the presentation —which schedules two performances of each work—was admirable, the audience decent-sized and sympathetically inclined, and only the works themselves left much to be desired. Interestingly, and no doubt entirely coincidentally, *they did so in exactly opposite* ways.

John Mortimer (b.1951), a Scot resident in Switzerland, undertook, in a Violin Concerto, a clear and unambiguous piece of *Gebrauchsmusik* — three movements intended to be readily comprehensible to "the average concert-going public." There was something *pleasingly* unpretentious about the attempt; the work owns, and immediately reveals, its stylistic models—Bartok, Szymanowski, and what, in the finale, I took to be a reference to Rimsky's loopingly sinuous Queen of Shemakhan. But success is severely compromised by crude scoring, by unpersuasive developmen (sounding more like simple repetition) of material, and above all by a want of that intellectual ambition that is not necessarily inconsistent with practicality—the concerto is totally predictable. The talented soloist was Rosemary Furniss.

Lack of intellectual ambition was not a fault of Paul Robinson's *Icarus*—the opposite, untempered by care for making its structural procedures at least minimally intelligible to the reasonably sympathetic ear, seemed to be the problem. Mr Robinson (b.1949) named Ives, Messiaen, and Berio as influences, and related in his note a programmatic "base" for his music akin to the verse-and-*chorus forms of* Greek poetry.

MAX LOPPERT

Camden Festival

Adriano in Siria

by MAX LOPPERT

J. C. Bach, the "English Bach," died in 1782, and was buried in St Pancras Old Church graveyard. His centenary celebration at this year's festival was therefore strongly indicated. The form it took was handsome: a concert performance of Bach's sixth opera *Adriano in Siria*, revived on Saturday for the first time since the 1765 premiere, conducted by Charles Mackerras, presented in association with Radio 3, and broadcast live from the Logan Hall. Owing to the last-minute illness of Ann Murray in a leading role, the occasion was less than one hoped it would be; a cloud lay all evening over the performance, refusing to be dispelled. Yet even so there was sufficient of a score given admirably complete (every number represented, and all but a couple given in full) to give new meaning to Burney's description of Bach's melodic gift—"natural, elegant; and in the best Italian taste."

Pre-echoes of Ilia in the meltingly lyrical music of the heroine Emirena, of the *Idomeneo* trio in the trio that closes the second act; even, in the airs of the confidante Barsene, a light, high-soprano foretaste of Despina—all leave a sharp reminder of the general want of dramatic, musical, and emotional richness interconnected and inseparable. *Adriano in Siria* is an opera entirely in major keys, best enjoyed for its succession of shapely, well contrasted airs, and for a charm of texture (Bach's use of a pair of flutes, or oboes, or bassoons, is always precisely and delightfully colourful) that grows increasingly seductive in the second act.

Such enjoyment was on Saturday only intermittently come by for, though the alto title role belongs to the Emperor Hadrian, and here found Margaret Cable in clear and confident form, the *primo musico* part is that of the Parthian prince, Farnaspes; despite one's gratitude to and admiration for Maureen Lehane for taking over at a very late stage from Ann Murray, despite the musicianship and long-standing mastery of style that got her through the long evening, the sad truth is that Miss Lehane's voice is no longer equal to such a taxing part; a hole was felt at the very centre of the performance.

Sad likewise that Eiddwenn Harrhy, as Hadrian's betrothed, the neglected Sabina, sounded distinctly out of voice. Apart from Miss Cable, and alongside sound contributions from Marilyn Hill Smith (Barsene) and Alan Woodrow, the principal pleasures of the evening were provided by the heroine of that stylish *opera seria* soprano Marie Slorach, and, as her tenor father, the fiery Parthian king Osroa, by Ryland Davies — after a nervous start it was good to hear him singing out so clearly and forcefully. Mackerras conducted the BBC Concert Orchestra with much of his wonted fire and convinced attack; but orchestral detail was sometimes scamped, and tempos did not always seem ideally chosen.

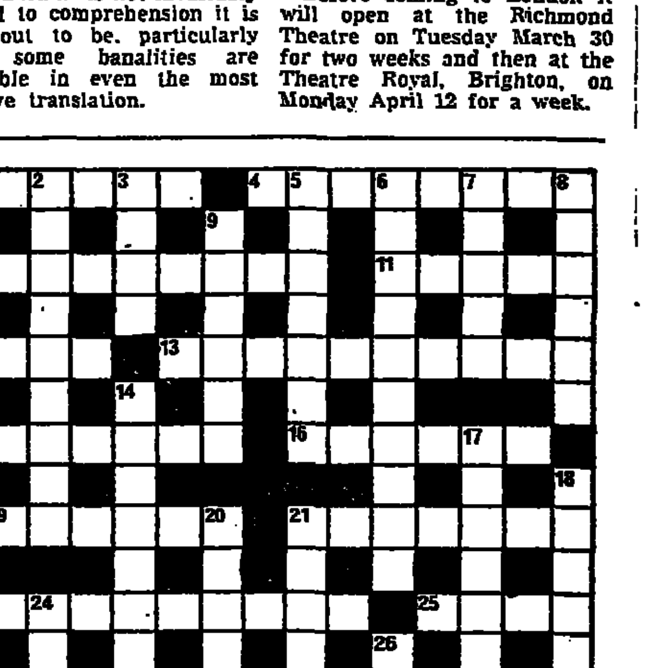
F.T. CROSSWORD PUZZLE No. 4,828

ACROSS

1 Coarse cutter of mixed pairs at start of Wimbledon (6)
4 One coming out elated and elegant (8)
10 Main host-carrier? (9)
11 If the parts are loose, he takes them (5)
12 Article in élite morning paper (4)
13 Place too much emphasis on bowling-spell by Lock? (10)
15 Charm of the roué, man extraordinary (7)
16 Modest bar-intake of Tchaikovsky's Eugene? (6)
19 Makes rigid times in grammar-schools (6)
21 As cruel as this over a long period of time (7)
23 One of the old soldiers who are camping out (10)
25 Approaching doctor, it is grave! (4)
27 The habitual call to the bar? (5)
28 It helps the optician (tempter to pair of spectacles, in a way) (9)
29 e.g., Chelsea supporter? (8)
30 Fruit from Ohio Mountains (6)

DOWN

1 Shopkeeper sought by those nursery mice? (8)
2 Concert on the front? (9)
3 Current units of a chemist (4)
5 Strong grass around seaport (7)
6 Reach forth in time spent in open prison (10)
7 This flavoured seed article is oriental (5)
8 Renounce that which is worthless (6)
9 Young fellow having no need of one? (6)
14 Landscape of force? (10)
17 Like sickness benefit improperly acquired? (3-6)
18 Knight in chequered career; bitter fruit comes of it (4-4)
20 Continental lady soaring freely (7)
21 Does one give a tinker's cuss in it? (6)
22 One way to raid orchard — namely, by the rear (6)
24 Bank to protect a king's orb (5)
26 Chieftain in semi-retirement (4)



The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

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Monday March 22 1982

Rescues and receivers

BRITAIN'S CLEARING banks must feel that they have no friends left. Regularly attacked for their high profits, they now find themselves charged with shortsighted behaviour by calling in a receiver at Stone-Platt Industries, the textile machinery and engineering group.

Although the banks have sometimes been criticised in this column, we do not believe that they are at fault on this occasion or that the receivership is symptomatic of a deeper flaw in the relationship between the City and industry.

Risk

Stone-Platt's financial difficulties became apparent two years ago: at that time the banks agreed to reschedule their loans. As in several other "rescue" cases, banks and institutions worked together with the encouragement of the Bank of England to see whether the business could be put on a sound footing. The result, in March of last year, was a financial reconstruction together with a change in management. Prospects of full recovery were far from certain, but banks and shareholders felt the risk was worth taking.

As it turned out, the company was hit by a drastic fall in demand in the main textile machinery division, Platt Saco Lowell. As the financial position deteriorated towards the end of last year, management decided to sell PSL; closure of the division would have involved write-offs and redundancy costs which would have sunk the whole company. Eventually an American buyer agreed to pay a modest price: the sale formed part of an attempted reconstruction which finally proved unworkable last week.

The dispute between banks and institutions concerned the financial consequences of the sale and the viability of the remaining business. As the banks saw it, the sale removed much of the security for their loans. Their net exposure to Stone-Platt would increase. They were being asked to shoulder a bigger burden in order to preserve a company whose condition, even after the reconstruction, would be fragile.

Disposal

The institutions argued that it was far too soon after the 1981 rescue for the banks to pull out and that the new management should be given more time. But they themselves were not willing to put in new equity immediately.

The institutions stood to lose a lot of money if Stone-Platt failed. But the risk to the banks, which had been supporting the company for two years, was also very substantial. From their point of view a receivership leading to an orderly disposal of the business was the logical course.

It is not obvious that another reconstruction to keep Stone-Platt afloat would have been the best solution in industrial terms. Receivership may turn out to be a more constructive way of redeploying the assets and placing them in stronger hands.

In public relations terms the banks should have handled the Stone-Platt affair with more aplomb, but the divergence of view between them and the institutions is not a disaster for the City. It is unfortunate that what had seemed a good example of constructive City intervention, followed by vigorous action on the part of the new management, should not in the end have succeeded. Both banks and institutions are under political pressure to show their concern for the long-term needs of industry and this may explain the bitterness of the recriminations over Stone-Platt. But it is the only failure of its kind so far; other rescue operations seem to be turning out well. There is no reason why the Stone-Platt case should discourage similar co-operative efforts in the future, as long as both sides recognise that their interests will not always coincide.

Enough

The need to take a long-term view cannot stop the banks from deciding, in particular cases, that enough is enough. In any case, the main weakness of the banks' lending policies has not been the lack of long-term perspective, but the failure to be sufficiently critical; in their eagerness to lend they have not looked hard enough at how the customer's business is run and whether the management's plans are realistic. It is on this subject — the appraisal and monitoring of management — where banks and institutions have a common interest and to some extent a shared responsibility. The aim must be to take corrective action before, not after, the kind of crisis that overtook Stone-Platt two years ago.

Future of the French franc

THE TRIALS of the French franc are a reminder of the doubts which hung over the European Monetary System when it was founded three years ago. The inherent strength of the German currency, the inflationary gap between West Germany and France, and German determination not to allow the EMS to undermine the Bundesbank's monetary discipline, all suggested in early 1979 that the new experiment might prove short-lived.

But the sceptics were confounded. The D-mark lost its gloss as the second oil shock struck and the West German current account deficit mounted to an unprecedented level. The Giscard Government impressed the markets with its commitment to a strong franc. And despite diverging inflation rates the system held together.

Pressure

Even after the Mitterrand Government was elected last year the franc did not suffer greatly. Paris got away with a relatively minor devaluation last October (3 per cent against the ECU, 8.5 per cent against the D-mark) and early this year both Bonn and Paris could still share joint fears for the impact on their respective currencies of the high level of U.S. interest rates.

Yet Eurocurrency interest rates told of mounting pressure beneath the calm. A year ago the three-month deposit rates of the two currencies were level-pegging at 12 per cent. By the beginning of this year, the German rate had dropped to 10½ per cent while the Euro-franc rate has climbed to 16 per cent. Today the D-mark pays 9¼ per cent while the international money manager needs 22 per cent to persuade him to leave his funds in francs.

Everything is suddenly going right for the German currency. Inflation is now down to below 6 per cent, and the German metal workers have settled for a wage increase of 4.2 per cent. Partly due to the slump in the oil price, Germany is now heading for a DM 40-50bn (£9.5-11.9bn) trade surplus in 1982 and a balanced current account after a substantial deficit last year.

The co-ordinated reduction in interest rates last week by the Germans, the Swiss and the Dutch was no act of altruism to help the French franc, and marked no sudden willingness to see the D-mark weaken in the interests of EMS solidarity. It merely showed what the surviving members of the D-mark bloc can now get away with in the face of rising U.S. interest rates. Despite the fall in German interest rates, the D-mark is still stronger on a trade-weighted basis than it was at the beginning of this year.

Meanwhile the French franc is struggling. Despite the oil reprieve, the trade deficit is expected to deteriorate substantially to FFr 80-100bn (£7.1-£8.9bn). And though inflation is moving encouragingly downwards, the Germans keep making progress too.

The inflation differential remains stacked against the franc. OECD figures show that since the EMS started, French hourly wage rates have gone up 45 per cent, Germany's 16 per cent. French consumer prices 38 per cent and Germany's 15 per cent. Yet to bridge these gaps the franc has been devalued by only 12 per cent against the D-mark during the life of EMS.

Soft money

Inexorably the markets are forcing Paris to choose. Should it "reculer pour mieux sauter?" A devaluation would not be inconsistent with policies aimed at "reconquering" the home market and which hope to re-establish sound money through economic growth, rather than growth through sound money. Or should Paris adapt its policies to defend the franc? Already it is moving in this direction by raising interest rates and by promising to limit government deficits to 3 per cent of GDP.

The West Germans can be counted upon to support the second option — as long as it remains practicable. Already they have expressed alarm at Belgium's defection from the hard currency ranks with what smacked of the EMS's first competitive devaluation. A French devaluation would take the EMS another big step towards becoming the kind of soft-money club which Bonn feared from the start.

AMERICAN CAN'S LIVERPOOL EXPERIENCE

How a nightmare was ended

By Nick Garnett, Northern Correspondent

Hugh Routledge

AUEW negotiator Mr Jack Whyman (left) and American Can personnel director Mr Doug Symon: "This fits the bill."

THE AMERICAN Can Company looked at its manufacturing facility in Liverpool and saw an industrial relations nightmare. A mixture of obdurate unions and feeble management had bred a mire of restrictive practices, rigid demarcation and overmanning that was slowly strangling the plant.

"You wouldn't believe what was going on there," says Doug Symon, the company's personnel director. "It was costing us three times more to make cans there than it should have been doing. The top guys in the States were having sleepless nights about it."

That was seven years ago. Since then two things have happened.

First, the U.S. company has built a new manufacturing plant at Runcorn, just 20 miles from its own Liverpool horror story and drawn a large part of its workforce from among ex-Merseysiders. This plant has been running for 18 months and so far has been totally stoppage-free, a model of tight manning levels, very high productivity and almost total labour flexibility—comparable with—or better than—anything in the American Can empire.

Second, new managers decided to bite the bullet at Liverpool and attack some of its problems head on. That has been done by some ruthless hatchet work which, the company admits, flouted employment laws. It was also carried through by a painful grinding process of trying to alter attitudes, bargaining and wage structures. That has still some way to go and the future of what remains of the Liverpool operation may depend on how successful it eventually is.

The story of American Can in the area over the last 15 years reflects remarkable shifts in management behaviour and shopfloor response. It also points to four fundamental points which may well apply to many other companies.

- A period of managerial appeasement in the face of entrenched union attitudes and an absence of real communications with the shopfloor almost wrecked a manufacturing site. Some of management's right to manage has been clawed back by much more determined managers. But it has been painful and difficult.
- For some employers, particularly those setting up new plants, the advent of the right-wing leadership in the Amalgamated Union of Engineering Workers—the sole union at Runcorn where it has negotiated an operating agreement abolishing the demarcation concept—has been a crucial development. The environment changed so much over a short period that Mr Symon can say: "We've now got first class relations with other unions but I'm committed to a partnership with the AUEW." There are signs that other unions including the General and Municipal and the Transport and General are also prepared to do new one-union deals with companies.
- Some senior American Can managers believe the new employment laws make it more difficult, though not impossible, to obtain the kind of agreement it has got at Runcorn. They may like much of the last bout of legislation but say the Employment Secretary has not spoken to enough people at the sharp end of business.
- While some companies such as American Can are not keen on setting up new facilities in Liverpool itself they do not mind including a large element of ex-Merseysiders in their labour force. Nor does this prevent them securing high productivity.

The Liverpool facility was only bought by American Can in the late 1960s so some of the sickness there was developing before it came on the scene. The Liverpool plants were riddled with elitism of the three craft unions—the Engineering Workers, the Electrical and Plumbing Trades Union and the National Graphical Association print union. Members of these three had their own lavatories—with their own locks and keys—which members of the general unions were forbidden by their own shopfloor colleagues to use.

The craft divisions within the unions were formidable — as they still are in many factories. An AUEW line engineer waited for an AUEW fitter if equipment had to be removed. If that equipment possessed wiring, they both waited for an EPTU operator.

A fitter could then remove a faulty piece of equipment to the toolroom. But though he was trained to operate a grinding machine, he did so on pain of death. That was the protected job of a grinder.

The company was forbidden to train semi-skilled men upwards into the skilled grades. This had to be done through the unions' four or five-year apprenticeship schemes even though everyone knew that it only required 3,000 hours to turn out a skilled can maker.

Absenteeism ran at 20 per cent. "We had no proof but we believe there was an absenteeism rota," says Mr Symon. "You know, 'George it's your turn today.'" The general workers exercised equal power. The site's convenor was a fork lift truck driver who had organised the drivers into one union unit across all the plants giving them the potential to shut down all of them in a dispute at one.

The company sacked 350 workers out of 670 . . . output went up almost immediately

An effect of all this was astonishing overmanning in some areas. In the open-top plant the company eventually sacked in one go more than 350 workers out of 670. It says output went up almost immediately.

American Can management partly blames the Liverpool site's problems on obdurate unions. Mr Symon who was brought in in 1975 and began a shake-out at the plant — including demanning the following year — says there were some tough shop stewards, two or three of whom were Communist Party members.

"But half of the problem was the management," says Mr Symon. "It was very weak. They were looking continually at short term problems of keeping production going. They just backed off all the time.

"They had a storm once and water started coming in through the roof. The obvious thing to do was fix the roof, right? The labour was such that it said 'we're striking'. The management simply gave them an extra 2½d an hour as 'welly' money and that stayed in the wage structure."

Mr Symon says much of the problem was rooted in the attitude of directors. Shop stewards would appeal to them over the heads of line managers. "The power of these line managers was simply eroded."

There was very little general trust or communication between senior management and the shopfloor about the direction in which the company and the site was moving.

The new management team (including Mr Symon) brought into the company in the mid-1970's swept some of these restrictive practices aside and severely cutback on manning. Some of its tactics were extremely tough and the shopfloor referred to the personnel section as the "dirty tricks department." With the advent of the Runcorn plant, the Liverpool site has been slimmed down to its original drum-making operation together with a small general container line.

The Advisory, Conciliation and Arbitration Service is now assisting in trying to get an integrated wage structure for the Liverpool site. Though many of the evils have gone, management concedes that on some issues—such as redefining job content—it set too hot a pace. It is a mark of how difficult it is for companies to claw back management's right to manage that the repercussions of the upheavals in the past seven years have still not produced an accepted pay structure. There does appear, nevertheless, to be a spirit of co-operation among the unions.

The Runcorn plant is like another world. With the fillip of a new site and equipment, a more pleasant environment and compact scale—it employs just over 100—the company has also had the benefit of two influences: a new style of partnership agreement with the AUEW and a different approach to recruitment.

The AUEW's position has been "we'll give you a comprehensive agreement with in-built job mobility if you give us jobs and high pay." Mr Terry Duffy, the union's president was involved in selling the Runcorn project to American Can's U.S. vice-presidents who were immediately uneasy when they glanced at a map and saw how close Runcorn was to Liverpool.

The agreement was negotiated with the union—in the shape of Mr Jack Whyman, a members of the executive, and Mr David Gough, a district organiser—before recruitment even began. It is similar to an agreement by another can manufacturer, National Can. "We are looking for agreements that give job security, stability of working conditions and meet the demands of the company. This fits the bill," says Mr Whyman.

Potential recruits at Runcorn were presented with the main 40-page operating agreement by the company and asked if they were prepared to accept all its conditions. Because the agreement is in effect a post-entry closed shop, American Can managers say it would now be legally more difficult to secure this arrangement because a workforce ballot would have to be carried out.

The agreement includes a huge element of labour flexibility and is a model of preciseness. Spheres of activity listed in the operating booklet, for line engineers, for example, include "set-up and service equipment, maintenance and repair of equipment, operate all equipment, maximise production and quality of product, tank feed and tune up line, carry out quality checks on components and equipment, and use ancillary equipment—for example fork lift trucks—to service line."

There is almost total downward flexibility. In other words highly skilled electronic technicians can be required to clean lavatories. "We wouldn't ask them to though" says Mr Keith McCoy, the plant's personnel manager. "It's inefficient use of manpower." There's no demarcation here except demarcation of common sense.

There was very tight screening of recruits who all had at least three detailed interviews and who were required to take manual aptitude tests—something which many traditional workers view as an affront to their craft training. The company as a whole takes a positive—some might say robust—line on screening. It uses all the agencies it can to identify Communists and "trouble makers" and is loathe to take on ex-dockers.

The mix is about 40 per cent ex-Merseysiders, many from Runcorn itself in North Cheshire, which was conceived as a Merseyside overspill town. The rest are workers from other parts of Cheshire and South Lancashire who Mr McCoy says tend to be influenced by the old ICI ethic of company loyalty.

Pay is high at Runcorn. Craftsman working shifts are on £210 a week without overtime, unskilled on £163. Mr Lewis Connor, one of the plant's four shop stewards says the workforce feels under pressure but some of this is self-generated by the speed of the can-making operation. "The work environment does hit you and it takes you a while to adapt but you do get accustomed to it."

Regular briefing sessions involving the shopfloor have generated a good deal of healthy rivalry between the Runcorn workforce and that of other American Can sites and other companies.

The bargain struck at Runcorn is high pay for high productivity, but there is always a sting in the tail. As far as the shop stewards are concerned continuing good relations depend on everyone keeping that bargain. "The company has got to ensure that pay here stays a bit better than anywhere else," says Mr Connor.

Men & Matters

The human touch

Aubrey Wilson is at last making headway in his crusade to persuade the legal profession to shuffle off its mortal coyness. Wilson, one of Britain's most successful marketing men, has been gently urging the Law Society for nearly two years to allow its members to attract more business within the confines of Rule 1, which forbids lawyers to tout.

Until recently, Wilson's marketing skills had been politely ignored by the Law Society. But now he has been given the go-ahead to lecture to lawyers all over the country.

Wilson, the 59-year-old "retired" head of Industrial Marketing Research, tells me his aim is to get solicitors to brighten their often fusty image in a multitude of small ways, so that clients will come to think of them as "nice people to deal with."

For example, many solicitors' offices have a patronising and intimidating ambience, which Wilson advises should be made more agreeable.

The impenetrable, arid jargon of many solicitors' letters is another area which needs the human touch. And Wilson believes solicitors should be able to ring anybody who has recommended a client, simply to register thanks.

According to Wilson, his gospel is already bringing a sea-change in solicitors' attitudes. "Some of them really know where they are going," he says.

He has certainly converted my informant at the Law Society, who tells me: "Many solicitors have in no way moved into the 20th century in the marketing of their services. If the profession does not watch it, it will lose it clients to accountants and professional divorce services."

"I'm 58 per cent Labour, 37 per cent Conservative, 5 per cent Scottish Nationalist, so naturally I'm going to vote SDP."

Hidden powers

Doing business used to be a matter of shaking hands—now, it appears, it can also involve the shake in your voice.

Decision-making executives in the U.S. are now being offered what sounds a devilish device to monitor the micro-tremors in the voices of people they talk to in the office, at meetings or on the phone.

The electronic black-box, which its maker, Frank Laczko of Arizona, calls the "Silent Partner," registers changes which reflect anxiety or stress.

"It has to be used and applied with some judgment," Laczko says. "All it does is tell you that the person you are talking to is under stress. It does not tell you why."

But the inference is that if the digital readout stutters, you should find out why. Deception causes stress.

Laczko's machine is small enough to fit into a brief case, and at $965 (£567) a time, compares favourably with larger versions, which do the same job for between $5,000 and $6,000. He has sold 500 so far.

Make sure the next time you ring the U.S. that your conscience is clear and you are totally at ease.

Gun law

Members of Parliament who are alarmed by increases in parliamentary rowdiness and violence in the outside world might be tempted to take a leaf from the legislative annals of Kentucky's General Assembly, which recently approved a Bill to let legislators carry concealed hand-guns in the chamber during debates.

In addition to affording the legislators much needed protection against the violent thugs who roam the streets of Kentucky's capital, Frankfort, this measure should assist the speaker to control the outbreaks of high spirits which sometimes occur in the house.

The last time a gun was fired in the assembly chamber was in 1936, when two legislators got over-excited and began to hurl desks at each other, until somebody fired a pistol into the air.

Pistols could, of course, be put to less constitutional use. If there were hand-guns in the chamber, one representative predicted that "on some days here, half the members would get blown away."

Secret games

The U.S. Government plans to build a Hollywood-type set of the White House and nearby Blair House — where foreign visitors stay — in the neighbouring state of Maryland for its secret service recruits to act out their role in any assassination drama.

The $1.6m (£940,000) project will also include a simulated shopping centre and a replica of a city street to allow agents to rehearse all aspects of security involved in protecting Ronald Reagan and his White House staff.

Until now, the training of secret service recruits has been confined mainly to being shown films of officials entering and leaving the White House and Blair House. They have also had some practice in security measures at a mock shopping centre. Other training has been conducted at the White House itself, but this became so complicated that the new centre was necessary.

Although security officials said the plans were drawn up before the unsuccessful attempt to assassinate Reagan last March, it seems clear to me that the project may have at least something to do with Reagan's own B-film background.

Live issue

One of the more extraordinary sights—and smells—at sea these days, I am told, are the oil tankers which have been converted to carry livestock. The ships have been fitted with 14-storey steel pens, half above deck, which can hold anything up to 125,000 sheep.

They have proved a profitable adaptation to trade in the Arabian Gulf where the demand for oil may vary but the demand for fresh meat is constant.

But the trade, it seems, faces storms more dangerous than the Indian Ocean squalls which regularly cause 1 per cent casualties among the four-legged cargoes.

Complaints have arisen from Australian trade unions about the loss of jobs in that country's slaughter-houses because of the live shipments.

A special delegation, including government and union officials, is now trotting round the Middle East trying to find a compromise. The sheep, of course, will continue to lose either way.

Observer

JAPAN PLANS FOR THE FUTURE

A thinking, talking computer . . .

By Guy de Jonquieres

EVER SINCE the dawn of the computer age, electronics engineers have dreamed of designing an "intelligent" machine endowed with human characteristics such as the powers of reasoning and speech. During the next decade, Japan hopes to turn that dream into a reality.

The vehicle is a Government-sponsored project to develop what is known as the Fifth Generation Computer. It is a key element in a strategy to capture the lead in highly sophisticated knowledge processing systems which, many experts believe, will carry into the 21st-century the industrial and economic revolution triggered off by the microchip.

"The Fifth Generation Computer will be the space shuttle of human knowledge," according to Professor Tohru Motooka of Tokyo University, the project leader. "It will give mankind access to valuable new economic resources. It will be extremely versatile and will be sold on a commercial basis."

That Japan should be aiming for such ambitious goals is a powerful demonstration of the self-confidence generated by its recent spectacular successes in electronics manufacturing.

To the chagrin of the Americans, Japanese manufacturers have captured about two-thirds of the market for the latest type of microchip memories, 64-K RAMs, which store 65,000 bits of information on a sliver of silicon.

But Japan's Ministry of International Trade and Industry (MITI) believes that more must be done. As well as funding the initial work on the Fifth Generation Computer—which may eventually cost as much as £250m to develop—it is stepping up spending on research into basic technologies, which may start to yield results only in the 1990s or beyond.

The stated aim is to equip Japan with the resources needed *to secure its technological independence* from the West and to establish its credentials as a centre of genuine innovation.

The image of Japan as a nation of slavish imitators, popular even a decade ago, is clearly no longer true. One measure is the sharp rise in the number of Japanese patents registered abroad: in the U.S. alone it trebled between 1966 and 1976 to more than 25,000. But Japan's strength has lain predominantly in making incremental advances in technologies which were already proven—not in inventing wholly new ones.

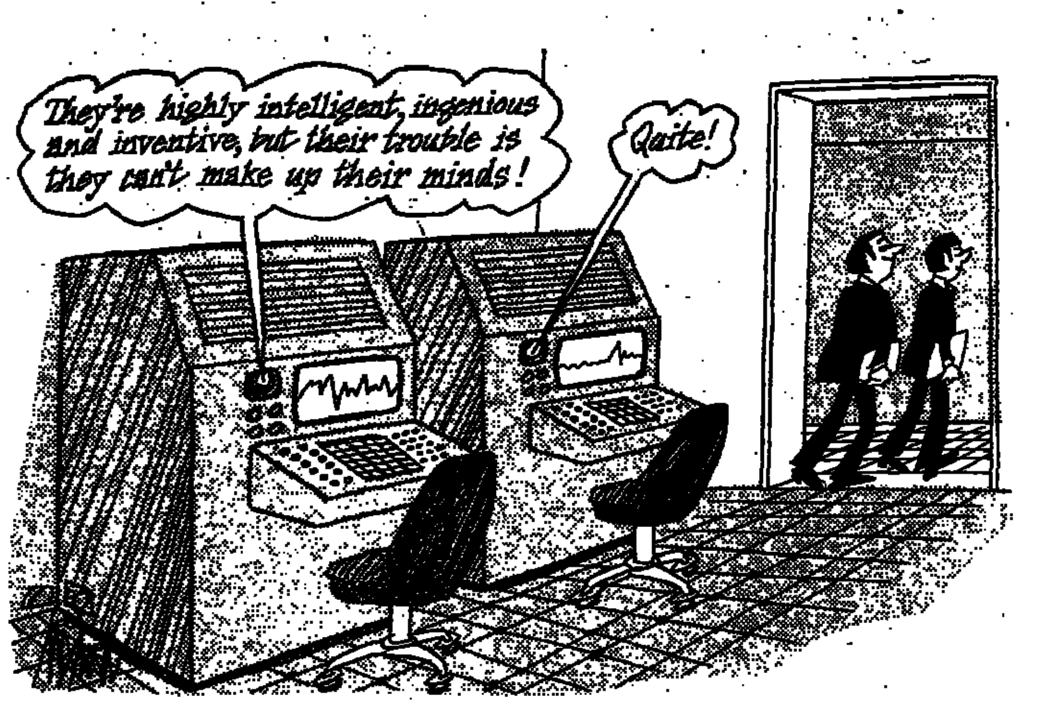
Many Japanese experts are concerned that without firmer underpinnings, their country's future technological development may be blown off-course. "We must make imaginative breakthroughs," says Professor Shoji Tanaka of Tokyo University, who headed the MITI-funded programme to help Japan catch up in microelectronics in the late 1970s. "*Otherwise I fear that the Americans may make new discoveries which will surprise us.*"

Ironically, however, it is widely conceded that the Fifth Generation Computer project *will not be achieved without* Western help—and approval. With surprising diffidence, Dr Kazuhiro Fuchi, a senior scientist with the Agency of Industrial Science and Technology (AIST)—*MITI's research and development arm*—admits: "It would be fatal for us if Western experts told us that the project was not aimed in the right direction."

This *need for reassurance* stems not only from the fact that the project is by far the grandest and most expensive of its type anywhere in the world. It also reflects an acute awareness *that Japan is relatively* weak in writing software, or programming. And it is in the field of software that the real breakthroughs will have to be made if the Fifth Generation *Computer is to succeed.*

Like Thomas Edison's definition of genius, writing software is 99 per cent perspiration and 1 per cent inspiration. The skills it requires are quite *distinct from those needed to* build the computer itself—as different as the manufacture of television sets is from making the broadcasts to screen on them.

Japan is investing heavily in trying to increase productivity in software design to the levels which it has achieved in industrial production. But it has yet to display the capacity for conceptual originality and intuitive brilliance of the very best programmers in the West.



Last October, MITI made its first bid to attract international co-operation in developing the Fifth Generation Computer. It invited experts from government, the academic world and industry in the U.S. and Europe to a conference in Tokyo at *which it unveiled its thinking* in detail for the first time.

The aim of the project is to develop by 1991 a working prototype which would form the basis for large-scale production *of machines able to perform* tasks which at present can only be done through the intervention of human beings. Typically, these might include:

- Automatic language translation. *This is a particularly high* priority for the Japanese, whose own language is notoriously complex.
- Document preparation, using typewriters which would convert *human speech directly into* the printed word.
- Professional consultation. By transferring to the machine some of the expertise of, say, a *medical specialist*, the machines *could be used to question* patients and help diagnose illnesses.
- Decision-taking. Today's computers can process vast amounts of data at high speeds but are *almost incapable of* using them to form reasoned judgments. One objective set for the Fifth Generation Computer is to give it powers of inference which would enable it to assemble a mass of information into a coherent logical sequence and draw conclusions from it.

But foreign delegates who had expected a clear blueprint for such a machine to be revealed at the conference were disappointed. Instead, it was presented as a set of separate, though related, concepts. To *realise them would depend on* important advances being made in fields including the "architecture" or internal design of computers, the special languages needed to programme them, the *structure of electronic data* bases in which information is stored and techniques enabling computers to recognise patterns and human speech.

Western research teams, notably in the U.S. and Britain, have been beavering away at these problems for some years. Though the fruits of their labours are starting to appear commercially—for example in computers which can respond to a selection of spoken instructions—most believe that the ten-year time-table set for the Fifth Generation Computer is too short.

"It's extremely ambitious," says Professor Brian Randell of Newcastle University, who attended the conference. "But the Japanese have a track record of undertaking projects whose ultimate goals are not reached but which are nevertheless tremendously successful from an industrial and commercial point of view."

Whether or not it reaches its intended destination—and some Western experts think that it may change course several times—the idea of riding on Japan's computer "space shuttle" has aroused excitement overseas, particularly in Britain. The Government is now considering ways of arranging UK collaboration.

Officially, MITI, which is preparing to spend about £25m on the first three-year phase of research, has proposed that other countries should work on separate schemes and compare *progress at regular intervals.* But if not enough international partners come forward, Professor Motooka has suggested that it may be necessary to headhunt brains from abroad.

The new types of electronic device to be used in the Fifth Generation Computer are being developed in other programmes, some of them jointly funded by MITI and industry. One is a project to build a giant "supercomputer" for purposes like meteorological forecasting. The aim is to make it 1,000 times more powerful than the biggest of today's scientific computers, the Cray 1, which can handle up to 250m pieces of information per second.

To operate at such speeds, a computer would need electronic circuits that worked much faster than even the most advanced of today's chips.

In the future, Japan envisages that light waves will be increasingly important as a means of transmitting computer information. In 1979, MITI launched a £50m research programme with major companies into optical communications, which use lasers to generate light pulses and send them down transparent optical fibre strands. At the receiving end, the pulses are converted into electronic pulses and fed into a computer.

Meanwhile, MITI is turning its attention to still more advanced areas. Last year, it established for the first time a budget for "basic technologies" to finance long-term research into new materials, biotechnology and new electronic devices.

One of the most fascinating projects is to develop an "artificial eye" on a chip only a few centimetres square, which would convert visual information into computerised signals for storage or display. It is expected to take at least 10 years to achieve, but Japanese companies have already developed simpler types of optical sensors. In the past two years, Toshiba is said to have developed 45 different types.

But for Dr Tanaka, who is heading the research into new devices, these are just steps on the way to a bigger goal. After 1985, he says, Japan will start concentrating on assembling the different types of new device into large, *integrated* systems.

Work has already started on a plan for an automated steel plant, equipped with a network of several thousand optical sensing devices which would monitor all its major functions and report to a computer. The schematic diagram depicts a web of electronic circuitry linking the different production units. At the top of the drawing, it is just possible to make out the outlines of two tiny human figures supervising the whole process from a control centre...

Lombard

Why the Budget still puzzles

By Samuel Brittan

THERE CAN have been few Budgets which have given rise to such contradictory reaction as the recent British one. It has been widely welcomed, but for opposite reasons. Some have said that it has stimulated spending power; others that it has kept the counter-inflationary strategy strictly on course. Yet others have said that it has done both simultaneously, which is the Government's own line.

The personal tax aspects are the easiest to explain. If the Inland Revenue has sent you *increased tax demands of £1,050*, and suddenly you receive a surprise envelope containing £50 for tax overpayment, your first reaction is to feel very pleased. Later on you will realise that *you are still paying £1,000 more* tax than last year.

If you don't believe me, look at a Rowe and Pitman circular by the Oxford economist, Walter Eltis, which is a reasoned *eulogy in praise of the Budget.* But he nevertheless calculates that between 1980-81 and 1982-83 taxation increased by over 2 per cent of the Gross Domestic Product.

The rise occurred in the first of the two fiscal years. In 1982-83 the tax proportion is expected to remain more or less stable. As there has been a deliberate shift in the balance away from industry, the personal sector will pay more.

The aim of gradually reducing the PSBR proportion of the national product is a sensible one. My quarrel is not with the fiscal judgment but the attempt to present it as a distribution of "goodies"—not even with those who make the attempt, but with those who are taken in.

A coherent justification of the Budget strategy is to be found in the Financial Statement ("Red Book"), if only ministers would use it. The forecast of Treasury economists, which *includes the effect of both monetary and interest rate policy* is that total cash spending, measured by money GDP will rise by nearly 10½ per cent in 1982-83 compared with just under 10 per cent the previous year. Given the considerable error in such forecasts, it is best to describe the effect of all the financial policies summarised in the Budget statement as being to keep total spending more or less on a neutral course.

Where then is the recovery to come from? The figures just cited are in cash and represent *Money GDP*. The improvement is expected to come from a change in the composition of that GDP. More of the increment is expected to go into output and less into higher prices and wages than in the previous year. In 1980-81 the 10 per cent rise in money GDP was made up of a 12 per cent increase in prices and 2 per *cent fall in output.* In 1982-83 the price rise is put at 8 to 9 per cent, which will make room for a rise in output of 1 to 2 per cent.

Sir Geoffrey Howe chose to justify his measures in an entirely different way when he wound up the Budget debate last week. He simply claimed that the interest rate fall permitted by *the tightening of the* PSBR would have a more than offsetting effect on output. He made this claim even though no one knows how interest rates are going to behave or how the Government will react when there are conflicts between the vaguely drawn criteria for setting interest rates set out in the Red Book.

The basic question is whether a given growth of monetary demand will lead to more output and less inflation *if it is* reached by a combination of a low Budget deficit and somewhat lower interest rates than with a higher Budget deficit and higher interest rates. Many City *analysts and politicians* will argue the former: most forecasting models favour the latter. The truth is that no general statement is possible in the present state of knowledge and *an agnosticism is in order.*

On earlier occasions I have defended the Government from opponents who wanted it to act like a Good King Wenceslas who has the power to increase the supply of *satisfaction* enjoyed by the population if only he chooses to do so. Now however it is the Government itself which is claiming the mantle of the Good Old King; and it is the job of non-partisan analysts to point out that monarchs with the resources to act that way disappeared with the waning of the Middle Ages.

Letters to the Editor

Zero coupons : bed and breakfast : paper gains

From Mr J. Percival

Sir,—Samuel Brittan's piece in Lombard of March 15 posed the central problem of company investment, "that the initial years of adverse cash flow are more than many companies can bear" because of high interest rates. A better answer lay hidden in the Budget than the one Mr Brittan proposed.

The issue of indexed-linked loan stocks would indeed seem to give the lender the benefit *of the capital gains* protection set forth in the Budget. But indexation adds yet another uncertainty to the issuer's funding problems in that the ultimate repayment cost is unknown.

The answer is the zero-coupon bond, which has had such a success in the Euro-bond market since its introduction in January last year by Salomon Bros. *on behalf of General* Motors. Issued at a deep discount to maturity value, with no interest, the zero-coupon bond converts the whole of the return to the lender into capital gain.

Whatever the attitude of the Inland Revenue, there is no apparent reason to suppose it would differ as between indexed or zero-coupon bonds. The advantage of *the latter* is that cost to the borrower and return to the lender are both known. And the initial cash flow cost to the lender is zero.

John Percival
La Chaise,
24350 Tocane, France.

From Mr T. Goodman

Sir,—Mr Sutherland (March 16) implies that Capital gains *tax may be saved by bed and* breakfasting assets prior to indexation. Given that the tax paid has an opportunity cost of a factor equal to inflation, bed and breakfasting has no advantage.

Moreover, the expenses of bed and breakfasting make this proposition disadvantageous. This disadvantage is exacerbated by the fact that present opportunity cost could for this purpose be taken as the rate of return on Government index-linked stocks, and is a factor greater than the rate of inflation.

T. P. Goodman.
15 Saville Road,
Broadgreen, Liverpool 13.

From Mr D. Townsend

Sir,—Mr Lewis (March 12) quotes the Chancellor of the Exchequer as saying "it is intolerable for people to be permanently condemned to be taxed on gains that are apparent but not real—that exist only on paper." The consequent Budget proposals to remove such paper gains from capital gains tax must be welcomed. Given Sir Geoffrey's new-found concern for fiscal justice, however, can we anticipate that that similar redress will be accorded to people who are condemned to pay tax on paper income? Will the Finance Bill be appropriately amended during its passage through Parliament?

It is self-evident that so long as inflation obtains, interest rates will comprise two distinct elements—the real rate of interest, plus what is effectively a capital repayment to compensate for the "inflation erosion" of the real value of the principal amount on which the interest is calculated. To levy income tax on such repayments is tantamount to a tax on capital, simply another facet of the same phenomenon which the Chancellor has now officially recognised in connection with CGT.

Were corroborative evidence required to support this contention, a comparison of the interest yields on 13¼ per cent Exchequer Stock 1996—(13.73 per cent) and 2½ per cent Treasury—Index Linked 1996—(2.20 per cent), should suffice. The yield difference—11.53 per cent—represents the capital repayment element which the market requires to compensate for the ravages of inflation.

Therefore if paper income is to be treated for tax purposes in a similar manner to paper gains, relief should be provided by an allowance calculated by reference to the original cost of the interest-bearing investment and the retail price index, which can be offset against the paper income for tax purposes.

D. A. Townsend.
11 Janmead,
Hutton, Essex.

Availability of Acts of law

From the Editor,
Statutes in Force

Sir,—Leaving on one side the controversial matter of the drafting of Acts of Parliament, raised in Mr John Boyd's letter of March 5, I should like to reassure him about the availability of up-dated versions of Acts. This is a recently completed official revised edition of the public general Acts, designed to meet the very need that he describes. It is called *Statutes in Force*, is published by HM Stationery Office and can be bought in various forms, down to single copies of Acts. The Acts are printed as amended, and the edition is to be kept up to date by the addition of new Acts, further editions of existing Acts and cumulative supplements.

M. L. Dunlap.
Statutory Publications Office,
12, Buckingham Gate, SW1

Policy is now mildly expansionary

From the Senior Economist,
Laing and Cruickshank

Sir,—Samuel Brittan (Lombard March 15) argues that a cut of £1bn in the public sector borrowing requirement between 1981-82 and 1982-83 "undoubtedly represents a tightening of fiscal policy." This is by no means the only interpretation of the figures.

Using the PSBR forecast as a summary measure of the *thrust of fiscal policy is fraught* with many well-known difficulties, not least that it is influenced by changes in output and relative prices which may be caused by external events as well as discretionary changes in the instruments of fiscal policy.

It is no coincidence that massive fiscal deflation was required to produce a less-than-commensurate cut in the PSBR for 1981-82 against the background of a fall in output between 1980-81 and 1981-82. Similarly, it is no coincidence that expansionary changes in *fiscal policy* produce a fall *in* the PSBR for 1982-83 when the Treasury is forecasting a rise in activity.

The Budget Red Book shows a rise in discretionary public expenditure (current and capital) of 9 per cent in the coming financial year, somewhat above the relevant inflation forecast, and most benefit rates will rise in real terms in *November*. On the tax side, personal allowances have been raised by more than inflation, excise duties by less, and capital taxation relaxed. The increase in national insurance contributions (which in any case is hardly a discretionary change since the National Insurance Fund is obliged to run in balance) is compensated by the cut in the surcharge, and represents a change in the distribution of tax which has come two years too late. Where is the fiscal tightening?

Of course, it is right to argue that the PSBR is an important constituent of monetary policy — though perhaps in a less deterministic way than is sometimes suggested — and that a lower PSBR may open the door to lower interest rates. But this does not have a strong message for fiscal policy. In a few months time, after the inevitable rebound in activity, it will be wrong for commentators to suggest that the economy is expanding "despite" tight fiscal policy.

Malcolm Roberts.
Laing and Cruickshank,
The Stock Exchange, EC2

The merits of aid

From Mr B. Maude

Sir,—Surely Mr Evan Luard (March 17) has omitted some important criteria when assessing the merits of British aid.

Widespread depression in the *world calls for* a new sense of dynamism and leadership in order to hasten recovery and development. Mr Luard does not mention the part played by British investment overseas since exchange *controls* were lifted. More effort is needed to increase investment in the low income countries to create employment and help them to pay their way and increase their standards of living.

Mr Luard would surely agree that the reduction of unemployment in this country is immensely important and therefore the tying of aid to purchases in this country makes sense. To say that this compels recipients to use the money in a way it would not otherwise have chosen is a clear non-sequitur.

Aid cannot be divorced from political, industrial and commercial factors. Other countries take account of these factors, *often to* our detriment; witness the allocation of desalination plant contracts and many others. We cannot afford to ignore this factor in the battle for business and just because we have had a strong balance of payments there is no reason to give way in the fight to strengthen our future balances of payments.

To say that the use of aid *funds to secure overseas contracts* diverts resources from the poorest countries is by no means necessarily true. What is needed is more corporate British investment in the poorest countries.

Mr Luard's article manifests a strange lack of reality and balance. Aid is not a question of "quality versus quantity." It is a question of more quantity and constantly improving quality.

B. A. E. Maude.
4 Bath Road,
Camberley,
Surrey.

ACC in fresh court moves

BY JOHN MOORE, CITY CORRESPONDENT

DIRECTORS OF Associated Communications Corporation, the entertainments conglomerate, are today to consider the position of Mr Robert Holmes à Court, the Australian entrepreneur, as group chairman.

At the same time the directors are to put in train moves in the Appeal Court in an effort to clarify an earlier decision by the court on takeover attempts mounted by the Australian.

A pre-condition of Mr Holmes à Court's original bid for ACC by his master company the Bell Group in January, was that Lord Grade must resign as chairman and chief executive and agree to rescind all his service contracts with the company. In his place Mr Holmes à Court sought his own appointment.

Among the other conditions, Bell said that it must hold in aggregate 50 per cent of the voting shares of ACC, which were largely held by the directors.

ACC directors, including Lord Grade, who stood down as chairman, gave irrevocable undertakings to accept the offer in respect of around 64 per cent of the voting shares which they held.

Their undertakings were subsequently challenged by Heron Corporation, the private company headed by Mr Gerald Ronson, which has made two counter-bids for ACC. The challenge was made through the courts and judges ruled earlier this month that the undertakings were "void and of no effect."

Since hen Mr Holmes a Court has revised his takeover bid, from the original terms of his offer of 66p for each non-voting share, to a bid worth up to 110p per non-voting share.

His new offers have been made through TVW Enterprises, an Australian television company associate of Bell Group. TVW is making a two tier offer for ACC, the highest offer worth 110p for each quoted non-voting "A" share, placing a value of more than £60m on the entire group. If TVW does not gain 90 per cent acceptances for the higher offer, then a lower offer worth 95p per share will be made.

This latest offer is conditional on the continuation of Bell's managerial and financial support to ACC until the lower offer becomes unconditional.

If Mr Holmes à Court is forced to step down as chairman and chief executive then the TVW offer may be put in jeopardy by reason of the management support of Bell being discontinued.

Mr Holmes à Court said yesterday that Bell intends to withdraw its original offer. "The directors have a release from their undertakings from Bell," said Mr Holmes à Court. "But they seem to have panicked and gone back to the court of appeal to seek clarification."

The directors are concerned about the implications of the court ruling, which was made with regard to the earlier Bell offer, and its bearing on the new higher offers from the associate company of Bell Group, TVW Enterprises.

Mr Holmes à Court described the move as "academic and unnecessary" because Bell proposed to withdraw its original bid.

On the chairmanship of the company, Mr Holmes à Court said, "I have said all the way along that if I do have a conflict of interest I would most certainly step down."

He added: "I have consulted with the director-general of the Takeover Panel and under the City Code there is no conflict. I have also taken legal opinion."

The Takeover Panel is expected to announce this week its verdict on the purchase of 925,000 shares in ACC by TVW Enterprises which breached the City code.

SPAIN

1981-82 High	Low		Mar 18 Price %
248	231	Banco Bilbao	247
260	280	Banco Central	248
320	229	Banco Exterior	302
320	239	Banco Hispano	320
128	110	Banco Ind. Cat.	110
383	284	Banco Santander	352
235	148	Banco Urquijo	210
382	263	Banco Vizcaya	368
252	223	Banco Zaragoza	245
175	82	Dragados	149
75	45	Espanola Zinc	61
72	55	Fecsa	60
55	22	Gal. Preciados	41
82.7	62.2	Hidrola	62.2
62.5	50	Iberduero	52.2
102.5	70	Petroleos	92.5
104	70	Petroliber	99
102	10	Sogefisa	10
80	60	Telefonica	71
78.2	60	Union Elect.	63.7

THE TRING HALL USM INDEX
119.5 (+1.2)
close of business 19/3/82
BASE DATE 10/11/80 100
Tel.: 01-638 1591

LADBROKE INDEX
Close 561-566 (+6)

AIM capitalised at £14.7m

THE PROSPECTUS is published today of an offer for sale of 4m shares of AIM Group, a supplier of interior fittings for aircraft.

At the offer price of 140p, the group is capitalised at £14.7m. The offer consist of 500,000 new shares, raising a net £340,000 after expenses for the company, and 3.5m shares being sold in equal amounts by the group's two shareholders.

AIM has been built up over the past decade by first bringing together an electrical contract engineering business and an aviation equipment manufacturer and then taking over a quoted aircraft interiors company, W. Henshall, in 1978.

Turnover has grown from £1.78m in the year to April, 1977 to £10.1m in 1981 and £5.68m in the first six months of the current year. Over the same period, pre-tax profits have risen from £141,000 to £1.7m last year and £1.1m in the first half of this year. Profits are forecast to reach £2.2m this year.

Last year, 65 per cent of turnover and 84 per cent of profits came from the aviation operations. AIM supplies galleys, cabin service equipment and sheetmetal components for aircraft and has built up a diversified clientele of aircraft manufacturers and airlines. It also fits bespoke interiors for executive aircraft.

Trevor Humphries

AIM Group directors (Left to Right): Mr Jeff Smith, chief executive, Mr Caspar Macdonald-Hall, sales director, and Cmdr. Sam MacDonald, chairman, with Mr Bob Woodruff, foreman, putting the final touches to a galley for a HS 146.

The group had net tangible assets of £3.4m at October 31, 1981 and net liquid balances of £0.6m. Fixed assets of £1.9m consisted of £0.8m in plant and machinery and most of the balance in factories at Cambridge, Heathrow, Byfleet, Crawley, Bournemouth and Southampton.

AIM has not previously paid dividends but the directors intend to pay a final dividend of 3.85p in respect of the current year. A full year rate of 5.75p is indicated. Mr J. C. Smith, the chief executive and Mr Caspar MacDonald-Hall, sales director, who each hold 3.25m shares following the offer, are waiving their entitlement to all but 0.1p per share of the final dividend in respect of 1981-82.

The offer for sale is being made by County Bank and brokers to the offer are Cazenove. Applications are due before 10 am on Thursday.

● comment

The Henshall acquisition in 1978, which caused a flurry of controversy at the time, provided AIM with the base to become a significant factor in the aircraft fittings business. As the profit record shows, the young directors have worked hard on productivity and have made the group competitive enough to build up exports to 22 per cent of turnover. Competitors EIS may complain that demand for galleys is at a low level but AIM's order books are at near-record levels. Most of the proceeds from the offer are going to the two owners of the business, but the balance sheet and cash flow are strong and the group is likely to be on the acquisition trail soon with its paper. Its next strategic goal is to set up a U.S.-style "completion centre" in the UK, where base aircraft off the assembly line are sent to be fitted with everything from avionics to ashtrays. The p/e of 13.6 at the offer price probably leaves some room for a post-offer premium but, more important, the longer term prospects look very interesting.

NatWest's record foreign loans

BY WILLIAM HALL

LAST YEAR more foreign currency loan capital was raised by National Westminster Bank that at any time in its history. The group raised the equivalent of $470m of foreign loan capital in international markets and issued over $300m of commercial paper in the U.S. money markets.

The money is being used to boost the group's international expansion and explains the near doubling in the group's loan capital to £664m in the group's annual report published today. In 1981 shareholders' funds rose from £1.8bn to £2.21bn and total assets grew from £34.57bn to £43.3bn.

Last year the group raised two 10-year Eurobond issues totalling $275m which were rated triple A by two leading New York rating agencies. The bank also raised a further $100m of subordinated loans maturing in 1988. In addition the group's Dutch finance subsidiary, National Westminster Finance, raised DM 225m of guaranteed bearer bonds.

The bank began issuing commercial paper—short-term notes of under 270 days' maturity—in New York in June 1981. Aside from giving the bank greater flexibility in its financing operations it also gets its name better known in the U.S. money markets. At the end of last year over $300m of NatWest's commercial paper was outstanding.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims: J. and J. Makin Paper Mills, Reliable Properties, Second City Properties, Trafford Park Estates, Woodrow Wyatt.

Finals: Arncliffe, Beatson Clark, Cattle's, Exeter Building and Construction, Rolyon PBWS, Squirrel Horn, Williams and James (Engineers).

FUTURE DATES

Interims:
Howden Group .... March 25
Newman-Tonks .... March 26
Peachey Property .... March 23

Finals:
Anglo-African Finance .... March 26
Automated Security .... March 25
Booker McConnell .... March 30
British Aerospace .... March 30
Cambridge Electronics .... March 25
Church .... March 24
Grampian Holdings .... March 30
Green's Economiser .... April 20
Horizon Travel .... March 29
House Property Co London .... March 30
Jove Investment Trust .... March 23

Sutcliffe Speakman 'still in loss'

AN IMPROVED outlook last summer has, in the event, proved insufficient to help Sutcliffe Speakman, the engineering concern, avoid a third year of losses for the 12 months to March 31.

The company confirmed that its latest year has been unprofitable despite a measure of optimism in the chairman's statement for 1980-81.

In 1981 the group pre-tax loss was £374,000 (£503,000).

The main UK businesses are to be reorganised with further cost-cutting to compensate for the continuing effects of the recession in the engineering markets.

The two main operations of general engineering and specialised carbon production are to be hived-off from the parent—which will become a holding company—into two new subsidiaries called Sutcliffe Speakman Engineering and Sutcliffe Speakman Carbon. The first will be headed by Mr A. Moores, the group managing director. The second is the subject of an external appointment now being finalised.

Major cost-cutting exercises include a reduction in the floor space used by the company in its main Leigh plant in Lancashire. It is hoped to reduce usage by about 40 per cent and alternative options for the space are now under discussion.

A reduction in the plant's 275 workforce is also planned and talks are due to start with the several trades unions involved next week.

Mr Moores said yesterday it was not yet possible to detail the effects of these measures. There were signs of better market conditions for the company, particularly in the U.S. "but the confidence will only be there if we get the orders we are anticipating at the end of the day," he said.

FT Share Information

The following security has been added to the Share Information Service:

Television South West (Section: Leisure).

BOC GROUP

In connection with the acquisition by BOC Group of Software Sciences International in December 1978, a final amount of £2.6m has become payable as consideration for the acquisition. This is to be satisfied by the issue of 1,564,371 ordinary shares.

Public Works Loan Board rates

Effective March 13

Years	Quota loans repaid by EIP†	Quota loans repaid at maturity§	Non-quota loans A* repaid by EIP†	Non-quota loans A* repaid at maturity§
Up to 5	13¾	13¾	14⅜	14¾
Over 5, up to 6	13⅞	14	14⅛	15
Over 6, up to 7	14	14⅛	14⅜	15
Over 7, up to 8	14⅛	14⅛	14⅜	15
Over 8, up to 9	14⅛	14⅛	14½	15
Over 9, up to 10	14⅛	14⅛	14⅜	15
Over 10, up to 15	14⅛	13⅞	14⅜	14¾
Over 15, up to 25	14	13⅞	13⅞	14¾
Over 25	13⅞	13⅞	13⅞	14⅝

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

Pending dividends

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus*) have been officially published. It should be emphasised that dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

	Date	Announcement last year		Date	Announcement last year
*APV	Mar 30	Final 6.2	LWT	Apr 2	Final 4.068
*Armstrong Equipment	Mar 24	Int. 0.55	*Ladbroke	Apr 1	Final 5.98
BAT Inds.	Apr 29	Int. 6.5	Laing (John)	May 1	Final 1.875
*BBA	Mar 25	Final 0.9	Laporte Inds.	Apr 23	Final 3.5
*BICC	Mar 24	Final 8.4	*LASMO	Mar 23	Final 38.83
*BSR	Mar 25	Final nil	Land Inds.	Apr 9	Final 5.96
*Babcock Intl.	Mar 31	Final 3.6	Legal and General	Apr 1	Final 8.8
Bank of Scotland	Apr 14	Final 9.5	London Brick	Apr 8	Final 2.682
Barrow Hepburn	Apr 15	Final 1.4	*Low and Bonar	Mar 29	Final 9.6
*Bell (A.)	Mar 23	Int. 2.332	*Lucas Inds.	Mar 25	Int. 2.6
*Bestobell	Mar 24	Final 7.1	Menzies (John)	Apr 22	Final 5.0
Blue Circle Inds.	Apr 29	Final 10.0	*Mills and Allen Intl.	Mar 19	Int. 8.0
*Brent Chems	Mar 23	Final 2.25	Morgan Crucible	Apr 9	Final 3.9
*Booker McConnell	Mar 30	Final 1.875	Mowlem (John)	Apr 30	Final 6.85
Bowater	Apr 9	Final 7.25	News Intl	Mar 25	Int. 2.8006
*British Aerospace	Mar 30	Final 4.89	NEI	Apr 14	Final 2.8
Brown Boveri Kent	Apr 10	Final 1.2	*Ocean Transport	Mar 25	Final 4.7
*Bunzl Pulp and Paper	Mar 31	Final 3.02	*Peachey Prop	Mar 23	Final 1.5
Burmah Oil	Apr 15	Final 5.0	Pearl Assurance	Apr 15	Final 17.0
*Cape Inds	Mar 30	Final 7.3	Phoenix Assce	Apr 1	Final 8.4
Croda Intl.	Apr 14	Final 2.259	*Prudential	Mar 24	Final 7.5
Currys	Apr 21	Final 7.5	*Reckitt and Colman	Mar 30	Final 6.0
*DRG	Mar 24	Final 3.0	Reed (A.)	Apr 2	Final 2.48
Delta	Apr 22	Final 1.82	*Rio Tinto-Zinc	Apr 15	Final 10.5
Dunlop	Apr 23	Final 1.35	*Rockware	Mar 25	Final 2.1
*Eagle Star	Mar 24	Final 5.5	Rubaroid	Apr 9	Final 2.85
Expanded Metal	Apr 14	Final 2.5	*Rugby Prtlnd. Cement	Apr 5	Final 2.5
*Fairclough Constr.	Mar 23	Final 2.85	Samuel Props.	May 1	Int. 1.2
Flight Refuelling	Apr 23	Final 1.6	*Scottish Metropolitan	Apr 6	Int. 1.25
GRE	Apr 1	Final 9.5	*Senior Eng	Apr 6	Final 0.75
Garrard and Nat. Disc.	Apr 27	Final 9.0	Simon Eng.	Apr 27	Final 8.0
Gill and Duffus	Apr 8	Final 4.81	*Slough Ests.	Mar 25	Final 1.65
*Glaxo	Apr 5	Int. 3.75	*Smith and Nephew	Mar 23	Final 2.6
*Glynwed	Mar 29	Final 4.9	Smiths Inds.	Apr 14	Int. 3.7
Hambro Life	Apr 14	Final 6.6	Smith (W. H.)	Apr 21	Final 3.2
Hammerson Prop.	May 1	Final 6.5	Standard and Chartered	Apr 7	Final 20.5
Harris Queensway	Apr 22	Final 4.0	*Sun Alliance	Apr 7	Final 16.0
Hawker Siddeley	Apr 15	Final 5.2	Tarmac	Apr 28	Final 10.5
*Hepworth Ceramic	Mar 24	Final 4.286	Taylor Woodrow	Apr 9	Final 10.187
*Higgs and Hill	Apr 6	Final 2.8	Tozer Kemsley	Apr 21	Final 0.795
House of Fraser	Apr 29	Final 4.6	Travis and Arnold	Apr 23	Final 3.2
*Ibstock Johnsen	Apr 2	Final 3.0	*Tricentrol	Mar 25	Final 5.5
*Kleinwort Benson	Mar 30	Final 6.0	*Vickers	Mar 24	Final 7.48
Kwik Save Discount	May 1	Int. 1.6	Weir	Apr 1	Final nil
			*Willis Faber	Mar 23	Final 8.2
			Wimpey (G.)	Apr 30	Final 1.7
			*Yorkshire Chems	Mar 29	Final nil

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

RECENT ISSUES

EQUITIES

Issue price p	Amount paid up	Latest Renunc. Date	1981/2 High	Low	Stock	Closing price p	+ or −	Div. Amount	Times covered	Gross yield	P/E ratio
142	F.P.	26/3	197	186	Amersham	197	+5	b3.5	2.9	2.5	18.9
15	F.P.	15/4	22	19	Cambrian & Gen. 7½p	22	...	—	—	—	—
80	F.P.	—	365	315	✱Eldridge Pope £1	365	...	9.5	2.9	3.7	11.5
—	F.P.	—	25	21	Fleet Holdings 20p	25	...	—	—	—	—
—	F.P.	—	38	27	Greenfriar Warrants	35	...	—	—	—	—
§90	F.P.	5/3	95	89	✱Imm. Bus. Sys. 10p	91	−1	—	—	—	—
‡‡	F.P.	—	53	47	✱Malaysian Tin 5p	50	...	—	—	—	11.0
§130	F.P.	16/4	152	137	✱Oceonics 10p	152	+5	bd1.5	4.7	1.4	19.2
‡‡	F.P.	—	30	30	Osprey Assets	30	...	F1.4	—	6.7	—
¶*	F.P.	—	42	40	P. H. Industrials	40	...	b3.5	1.9	12.5	5.5
46	F.P.	19/2	65	47	✱York Mount	63	+5	g4.51	♦	10.5	♦

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1981/2 High	Low	Stock	Closing price £	+ or −
§100	£25	30/7	35½	25¾	Barclays 16% Ln. Stk.	34½	+¼
100	F.P.	14/4	116	111	Boddingtons Brew 9¼% Cnv. Ln. 2000-05	114	...
**	F.P.	—	206	200	Churchbury Ests. 6.4% Cnv. Ln 1985	205	...
100	F.P.	22/3	103	99	Hunting Pet. 10% Cnv. Ln. 1997	99	...
¶99	£10	29/4	11¼	10½	Lee Valley 9¾% Red. Prf. 1989	11¼	...
¶97½	F.P.	18/3	110½	99½	Mid-Kent Water 9¾% Red. Prf. 1987	99½	−1½
§100	£10	—	101⅞	99¾	Nationwide Bdg. Soc. 16¼% (17/1/85)	101⅞	...
§100	F.P.	—	101⅛	100	Do. 15⅝% (7/2/83)	101⅛	...
§100	F.P.	—	100⅜	100¼	Do. 14¼% (14/3/ 3)	100¼	...
**	F.P.	16/4	102p	100p	Ropners 11½% Cum Prf.	102p	...
98.53	£20	20/5	25	19¾	Trans-Canada Pipelines16½% Notes 2007	24¾	+¼

"RIGHTS" OFFERS

Issue price p	Amount paid up	Latest Renunc. date ●	■	1981/2 High	Low	Stock	Closing price p	+ or −
70	F.P.	15/3	19/4	87	73	✱Clyde Petroleum	78	...
40	F.P.	8/5	23/4	48	40	✱Energy Finance 10p	40	...
30	Nil	—	—	27pm	20pm	First Castle 10p	24pm	...
160	F.P.	22/3	29/4	188	164	Hunting Pet. Services	180	...
280	F.P.	26/2	26/3	296	258	Lovell (Y.J.)	286	...
A$2.25	Nil	—	—	20pm	12pm	M.I.M.	18pm	...
188	F.P.	11/2	26/3	229	217	MEPC	222	+1
74	Nil	—	—	26pm	24pm	St. George's Grp. 10p	26pm	...
110	Nil	23/3	23/4	38pm	24pm	Security Centres	36pm	+2
11	Nil	—	—	3½pm	3½pm	Shaw & Marvin 10p	3½pm	...
45	F.P	—	—	48	37	Steaua Romana (Brit.)	38	+1
10	Nil	—	—	2½pm	1pm	Sturla 10p	1½pm	...

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. g Assumed dividend and yield. u Forecast dividend; cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1982. Q Gross. T Figures assumed. ♦ Figures or report awaited. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price. p Pence unless otherwise indicated. ¶ Issued by tender. Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or take-over. ‡‡ Introduction. ☐ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ✱ With warrants. †† Dealings under special Rule. ✱ Unlisted Securities Market. ‡‡ London Listing. ‡ Effective issue price after scrip. † Formerly dealt in under Rule 163(2)(a). ‡‡ Unit comprising five ordinary and three Cap. Shares.

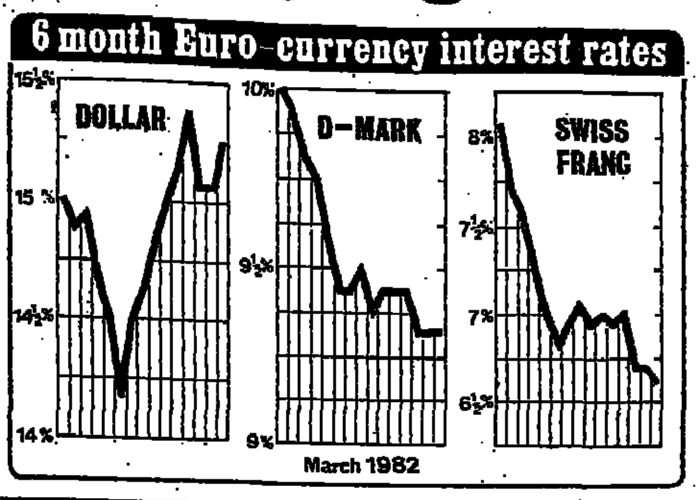
LOCAL AUTHORITY BOND TABLE

Authority (telephone number in parentheses)	Annual gross interest	Interest payable	Minimum sum	Life of bond
	%		£	Year
Knowsley (051-548 6555)	14	½-year	1,000	4-5
Rochford (0702 546366)	13¾	½-year	500	2-5

INTERNATIONAL CAPITAL MARKETS

INTERNATIONAL BONDS

Buying short and buying quality



THIS MORNING the world of international finance is again divided between Europeans on one side of the Atlantic cheering cuts in short-term interest rates and the American financial community on the other, not quite certain of the movement of money rates and hoping for the best.

The Bundesbank's ½ point cut in the special Lombard rate to 9½ per cent last Thursday, combined with cuts in Swiss and Dutch rates on the same day, provided encouragement for already buoyant Continental markets. Then on Friday the Bundesbank gave another signal of its desire to ease interest rates when it announced a 34-day securities repurchase agreement with a 9½ per cent interest rate.

This provided a real fillip to the Euro D-Mark sector and the market ended the week in fine shape, bond prices having risen around 1½ points on the week and a number of new issues trading above par.

Swiss franc foreign bond prices also gained one to 1½ points last week and both six-month Euro D-Mark and Swiss franc deposit rates declined by ⅛ point.

The Eurodollar sector, by contrast, saw prices edge only ½ point higher by Friday. The six-month Eurodollar deposit rate refused to fall however, and ended the week at 15¼ per cent, up ¼ point.

The Eurodollar sector was holding firm last week, but was not substantially improved. In New York the codeword appears to be that "if you buy something, you buy short." and in the Eurodollar market the watchword is "you buy short and you try to buy quality."

There is quality paper around in the Eurodollar market and a fair amount of it is to be found in the $1.6bn of new fixed-interest bonds which has been launched over the past three weeks. But last week saw a high content of floating rate notes ($495m), usually a sign that the market is dithering about the outlook for interest rates.

Gulf Oil is a quality name, *but its $175m 12-year adjustable* coupon paper—effectively three-year rollover paper—was priced rather aggressively with a 14¼ per cent coupon. That is a Ma Bell-style coupon and although Gulf Oil is good quality, it apparently isn't in the AT and T league. The paper, managed by Salomon, CSFB and Merrill Lynch, seemed to be getting off to a slow start on Friday.

The same formula—adjustable coupon three-year paper—was used for GMAC's $100m issue on Friday through CSFB. There are some in the Eurodollar bond market who are now convinced that GMAC is in the running for the "Most Frequent Borrower of 1982" award, but the latest issue carries a 15¼ per cent coupon at 99½ just to make sure the paper sells. If you want to be a frequent borrower—GMAC has this year issued $800m (nominal value) of zero coupon bonds and $250m of straights—you have to pay up.

One borrower which is most certainly paying a premium is Banobras, the Mexican public works bank. The 17¼ per cent coupon on this 10-year paper reflects both the traditional high rates paid in the Euromarket by certain developing countries and the less than rapturous reception now being accorded to Mexican issuers as a result of the country's economic headaches.

At the other end of the image spectrum is the current SwFr 100m 12-year issue for Australia in the Swiss franc foreign bond market; the borrower is so well-liked in this market that its already low 6¾ *per cent coupon has* been cut to 6½ per cent.

The Eurobond markets are not however, simply a collection of higher and lower quality issues. The outlook this morning seems bright for the Euro D-Mark and Swiss franc bond sectors both basking in the sunshine of easier interest rates.

The Eurodollar sector too, stands a chance of performing strongly over the next week or two. There is firm undertone of buying demand and much of the bad statistical news from the States is discounted. A great deal depends, as it usually does, on the path of the U.S. bond market and its capricious nature.

In the less developed bulldog bond market — the domestic sterling sector for foreign borrowers—today should see a new £100m issue for the World Bank, its second in less than a year. Given its $8bn-plus 1982 borrowing needs, the World Bank must jump in where it can.

Alan Friedman

POINTS OF NO RETURN

Linking bond yields to currency rates

CURRENCY speculation, like a game of roulette, is one of the fastest methods known to man of losing one's shirt. In the Eurobond market, the combination of volatile interest rates and uncertain currencies can provide investors with a hair-raising adventure.

With these perils in mind Societe Generale Strauss Turnbull (SGST) has just produced its latest edition in the "Points of No Return" series, a useful investor tool which shows what future shifts in currency rates are implied by present differences in the yields on bonds denominated in different currencies.

The last time SGST issued such a report was on the eve of President Reagan's election victory. Between October 1980 and last August the "Reagan dollar" appreciated by 20 per cent on average, according to the study.

Since then, says the report, interest rate differentials have widened and bond markets are discounting large percentage falls in the U.S. dollar.

The dollar-based investor must assume a decline of at least 24 per cent against the D-Mark over the next five years in order to justify holding D-Mark bonds, claims the study.

This conclusion is reached by comparing the current yield curve on dollar paper against that on D-Marks. For bonds maturing in 1987, the comparison gives an interest rate differential of 5¾ per cent.

Although SGST does not engage in currency forecasting, it does thus provide "break-even rates"—the rate to which a lower-yielding currency has to appreciate against another to make it worth shifting funds into that currency.

For example, the D-Mark break-even rate against the dollar in five years time is 1.8210 D-Mark to the dollar.

For sterling, Strauss Turnbull says investors would only need to expect the dollar to appreciate by 3 per cent over the next five years or 4 per cent over ten years before it would make sense to sell sterling bonds and buy dollar bonds. These figures are small however, in the context of the violence of recent exchange movements.

Turning to the Japanese yen, dollar-based investors would *have to assume a 30 per cent fall* in the dollar against the yen over five years and 53 per cent over ten years to justify switching to lower-yielding yen bonds.

SCST claims that the dollar-based investor there is very little incentive to switch into D-mark, Swiss franc or yen bonds in the near future.

The study does not take into account the fact that some institutional investors require a spread of currency holdings.

Alan Friedman

CREDITS

Opting for a generous margin pays off for Greece

GREECE'S decision to opt for a generous ¾ per cent margin on its forcoming Eurocredit has paid off. On Friday the Central Bank was able to award a formal mandate for a deal amounting to $540m, sharply higher than the $400m originally sought.

The eight-year credit will bear front-end fees of ½ per cent and repayments will begin after a five-year grace period. The underwriting group comprises 18 banks including Credit Lyonnais and Morgan Guaranty who will act as joint agents.

The Greek decision brings to an end weeks of speculation over the terms it might obtain for the credit. Banks were particularly concerned that it might be tempted to opt for a deal including a ⅝ per cent element in the margins which would have been difficult to sell to *smaller participants*

But the suspense continues in the case of two other major borrowings, one for Spain which can use the leverage of its domestic banks to obtain fine margins and one for Portugal which would like a ⅝ per cent margin but admitted last week that its foreign debt now stands at a record $10bn of which one third is short-term.

Elsewhere in Southern Europe, Italy's electric utility ENEL has awarded a mandate to Deutsche Bank for a large credit in an amount expected to be fixed this week. Market expectations on the margin centre around a spread of ½ per cent over London inter-bank offered rates (Libor) for the first six years rising to ⅝ per cent for the final two.

Further North, Denmark's Export Financing Fund is seeking $150m in the form of a six-year credit with a margin of ⅜ per cent over Eurodollar rates led by Bank of America International.

This operation follows hard on the heels of the successful $1.2bn package arranged for the Kingdom of Denmark by Citicorp. The margin is lower than the ⅜-½ per cent paid by the Kingdom over Euro-currency rates, but the loan has a *shorter* average life of five years compared with 6½.

A commitment fee of ⅛ per cent will be paid in the event that the credit is used to back up the issue of commercial paper in New York, although details of this are not yet finished.

A degree of confusion now surrounds the queue system for Brazilian public sector borrowers. While Bank of America has been sounding out international banks on a $300m operation for Eletrobras, Chase Manhattan has obtained a firm mandate from the oil concern Petrobras to raise a $300m, eight-year credit.

Petrobras is one of the most popular Brazilian public sector borrowers, offering a considerable amount of ancillary business and one which has not done a medium-term Eurocredit for over two years. It is paying the standard Brazilian terms of a margin of 2¼ per cent over Eurodollar rates or 1⅞ per cent over U.S. prime.

Elsewhere, Egypt has asked Chase Manhattan to arrange a $200m, two-year standby revolving credit with the option of extending the facility for a further one year. This is Egypt's first public international syndication since 1977 and bears a margin of ½ per cent for the first 18 months and ⅝ per cent thereafter.

In Asia another fine margin credit has been announced for a Malaysian borrower. Sabah Gas Industries is raising $50m over ten years at a margin over Libor of ⅝ per cent through Chase Manhattan and Bank Bumiputra.

Peter Montagnon

CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead manager	Offer yield %
U.S. DOLLARS							
Spain‡	100	1987	5	15¾	100	CSFB	15.750
Kajima Corp.§‡	30	1997	15	5½	100	Morgan Stanley, Diawa Secs.	5.500
Malaysia†	250	1992	10	5¼	100	SBC Intl.	5.320
Amax‡	75	1992	10	16¼	100	SBC Intl., Kuhn Loeb	16.250
Allied Irish Banks†‡	100	1992	10	5¼ф	100	CSFB, Allied Irish Inv. Bank, Merrill Lynch	5.250ф
Isveimer†‡	75	1989	7	11ф	100	First Chicago	11.000ф
Ford Credit Canada†**	50	1988	6	6ф	*	Commerzbank	*
Freisch Groningsche Hypotheckbank†‡	20	1987	5	15¾	100	Gutzwiller	15.750
Pacific Gas	45	1989	7	15½	100	CSFB	15.500
Gulf Oil	175	1994	12	14¼	99½	Salomon Bros., CSFB, Merrill Lynch	14.360
Banobras	150	1992	10	17¼	100	SG Warburg	17.250
Erste Oest. Spar Casse†‡	40	1992	10	5¼ф	100	Orion Royal Bank	5.250ф
GMAC‡	100	1997	15	15¼	99½	CSFB	15.340

* Not yet priced. ‡ Final terms. ** Placement. † Floating rate note. ф Minimum. § Convertible. †† Registered with U.S. Securities and Exchange Commission. Note: Yields are calculated on AIBD basis.

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead manager	Offer yield %
D-MARKS							
Finland‡	150	1989	7	9¾	100	Dresdner Bank	9.750
World Bank‡	100	1989	7	9½	100	Deutsche Bank	9.500
DUTCH GUILDER							
Mortgage Bank of Denmark‡	100	1992	10	11½	100½	Amrobank	11.410
Eurofima‡	50	1989	7	10½	100	Amrobank	10.500
Sweden	100	1992	8	11	*	ABN	*
SWISS FRANCS							
Swed. Export Credit‡	100	1992	—	7¾	100½	Soditic, Chase Man. Bank (Suisse), Morgan Stanley SA	7.680
Australia‡	100	1994	—	6½	100	CS	6.500
Vorarlberger Kraftwerke AG	50	1992	—	6¾	100	CS	6.750
Crown Zellerbach	100	1992	—	*	*	SBC	*
STERLING							
Soc. de Developpement Rgl.	30	1992	10	15½	100	SG Warburg	15.500
Quebec	35	1987	5	15½	100	SG Warburg	15.500
YEN							
Caisse Nationale des Telecommunication	20bn	1992	10	8.2	99.95	Diawa Secs.	8.209

U.S. BONDS

Investors keep their distance despite peak real returns

THE REAL rate of interest in the U.S. last week was probably a record. Nobody knows exactly what it was, but it must have been over ten per cent, about three times its historical level.

With prices at the factory gate now declining for the first time in six years and retail prices rising five per cent at the most, a prime rate of 16½ per cent looks not just astronomical but quite preposterous. Yet few U.S. indicators highlight quite so dramatically the state of near crisis into which Wall Street's financial markets have been driven by the impasse over the Reagan Administration's fiscal policies and the throttling constraints of the Federal Reserve's tough monetary line.

With Mr Reagan refusing to go back on his tax cuts or defence spending plans, projections of the Federal Budget deficit this year and in the years ahead seem to be creeping up by billions of dollars a week. Unless drastic action is taken, the next budget starting in October is expected to have a deficit of at least $120bn, double the previous record set in 1976 under the Ford Administration, and almost all of which will have to be financed in the U.S. capital markets.

Against this gloomy background, it is hard to see how the credit market's occasional rallies (of which there was another last week) can get very far. Many economists assert that the real rate of interest cannot possibly remain at its present levels. The truth of the matter, however, is that another week of what would normally be viewed as mouth-watering yields has passed without tempting more than a smattering of retail buying interest. Bond prices and short-term interest rates fluctuated slightly, but ended the week essentially unchanged, and trading was thin.

The biggest stumbling block was the Fed Funds rate which stuck with surprising tenacity to the 15 per cent level despite the predictions of money market analysts that it would soften. This put a heavy strain on traders who were trying to finance positions in the longer term market where yields were only 14 per cent. The strength of Fed Funds came partly from fears that the money supply is due for another seasonal surge which will force the Fed to clamp down further. Although these fears were unfounded last week (M1, the main measure, was down slightly) tax refunds and other factors are expected to push it up in the weeks ahead. Last week's round of central bank rate cuts in Europe is unlikely to have any impact on U.S. monetary policy.

The strength of short term rates forced four large banks to rescind a ½ per cent cut in the prime rate and retreat to the 16½ per cent level at which most other banks had wisely stuck.

Some of the market's weakness followed news that the economy appeared to pick up a bit in February, posing the possibility of a rebound in credit demand.

Industrial production rose 1.6 per cent, the first gain in many months, and housing construction leapt ahead. But many economists dismissed this as a bounce back from January when bitterly cold weather brought much of the country to a standstill. The key statistic for the credit markets this week will be the latest retail price inflation figure due tomorrow.

The pace of borrowing in the bond market eased a little last week because of the uncertainty. Citicorp, Household Finance and American Express each came to market for $100m, the first two with floating rate notes. Bank of America also announced plans to issue zero coupon notes for the small saver. With a face value of $1,000 they can be bought for either $250, $333 or $500 maturing, respectively, in 10, 8 and 5 years.

David Lascelles

U.S. INTEREST RATES (%)

	Week to Mar 19	Week to Mar 12
Fed. funds wkly. av.	15.08	14.44
3-month Treas. bills	12.74	12.76
3-month CD	14.40	14.45
30-year Treas. bonds	13.49	13.65
AAA Util.	15.85	15.85
AA Industrial	15.13	15.25

Source: Salomon Brothers (estimates). In the week to March 10 M1 fell $400m to $448.4bn.

Norcem recovery leads to resumption of dividend

BY FAY GJESTER IN OSLO

NORCEM, the Norwegian building materials groups, reports a strong recovery in profits for 1981 and plans to start repaying a dividend.

On sales 18 per cent higher at NKr 3.1bn, profits before tax emerge at NKr. 53m ($9m) compared to NKr 9.6m in 1980. A dividend of 10 per cent is proposed.

Disposal profits, mostly share sales, of NKr 21m take total pre-tax profits up to NKr 74m, against little more than break-even in 1980 following an extraordinary debit of NKr 9.3m.

The improved profit reflects higher earnings by the foreign subsidiaries, the elimination of loss-makers and higher earnings *on domestic cement sales.*

Managing director Mr Gerhard Heiberg, managing director, said that the result, although "a step in the right direction," was far from good enough. Norcem is capital-intensive and needs annual net profits of between NKr 150m and NKr 200m "to be able to invest as we would like."

The improvement in earnings by the three Norwegian cement plants was partly a result of their conversion from oil to coal firing. Local cement production has been reduced to 1.6m tonnes: purchases of foreign-made cement last year reached over 5m tonnes.

Petroleum services increased turnover last year, but overall profits were about the same as in 1980.

But the bulk of Norcem's business remains cement. Its foreign cement trading operations are handled through terminals where Norcem is part-owner.

The newest of these is in Port Harcourt in Nigeria which cost NKr 80m to develop and will eventually handle 1m tonnes of cement a year. Partnered by Nigerian and Finnish interests, Norcem has a 20 per cent shareholding in the terminal.

Airline spurns unionism

BY PAUL BETTS IN NEW YORK

FOR THE second time in the ten-year history of Air Florida, *the ground personnel of the* Miami-based fast expanding airline has rejected an attempt by organised labour to unionise company employees.

Air Florida, which has made major inroads in the U.S. airline industry as a result of airline deregulation and its competitive advantage as a non-unionised airline, said its airport and reservation employees rejected by a 12-to-one margin to become members of the Airline Employees Association Union.

For Mr Eli Timoner, Air Florida's chairman, the defeat of the unions represented "another step in the airline's plan to return to profitability in 1982." Air Florida, after a remarkable period of growth, reported a loss of $5.9m last year.

Burlington Northern sells air freight arm

By Our Financial Staff

BURLINGTON NORTHERN, the U.S. railways, forest products and energy group, is selling its air freight forwarding operations for $177m in cash.

The company has agreed in principle to sell Burlington Northern Air Freight, whose 1981 revenues totalled $350m, to Pittston, the coal mining-to-security services group.

Pittston intends to operate BN Air Freight with no changes in management or organisational structure. BN Air Freight provides domestic and international forwarding services and is claimed to be the second largest forwarder of air freight in the U.S.

The disposal by Burlington Northern is subject to compliance with regulatory requirements, a definitive purchase agreement and the approval by the boards of both companies.

Burlington Northern stressed that it could make no comment on its plans for investing the cash proceeds from the sale of BN Air Freight.

Hudson's Bay hit by retailing squeeze

BY ROBERT GIBBENS IN MONTREAL

HUDSON'S BAY, Canada's largest retailer, reports operating earnings of C$3.7m for the year ended January, 1982, against C$54.6m a year earlier.

The poor outturn was due to the impact of the recession and a squeeze on consumers' disposable income particularly in the second half of the year.

However, the results were marginally ahead of expectations. Many analysts had expected the Bay to report an operating loss.

The latest earnings were not sufficient to cover preferred dividends of C$11.7m. However, the Bay, which is controlled by the International Thomson group, made a C$382m special gain last year on the sale of a major holding in Hudson's Bay Oil and Gas. Thus final net earnings were C$386.1m against C$73.4m on the same basis in 1980-81.

Revenue was C$4.2bn against C$3.8bn. The company operates the Bay department store chain, Simpsons, and owns a large minority interest in Simpsons-Sears. The company also owns the Zellers chain in East Canada and has a small oil and gas company in Western Canada.

The Bay operates major real estate assets through Markborough Properties, which has plans to develop the former Bay headquarters in the City of London.

Credit watch on BAT

BAT, the UK tobacco and retailing company, and Marshall Field, the Chicago department store group for which it is bidding $346m have both been placed on "credit watch" by Standard and Poors, one of the leading New York credit rating agencies. This means S and P thinks current developments could affect the credit standing of both companies, David Lascelles reports from New York.

S and P said the acquisition would add Marshall Field's debt to BAT's and increase its leverage.

INTERNATIONAL APPOINTMENTS

Howard Miller returns to head Avis

● Mr Howard C. Miller, Jr. has been appointed president and chief operating officer of AVIS

Mr Howard C. Miller, Jr.

INC., New York, an operating company of Norton Simon Inc. He was formerly president and chief executive officer of Canteen Corporation, and had been in charge of Avis from 1965 to 1972 while an executive of International Telephone and Telegraph Corporation. Mr J. Patrick Barrett, an executive vice president of NSI, will continue as chief executive officer of Avis, a position he has held since the resignation of Mr James F. Calvano as Avis president and chief executive officer last August.

● At UNITED BRANDS COMPANY, New York, Mr Lionel Sterling has resigned as executive vice president, chief financial officer and a director. No replacement has been announced.

● Dr Hans-Ulrich Doerig, head of the multinational services division of CREDIT SUISSE, has been appointed a deputy general manager of the bank. Mr Thomas Schmidheiny, management chairman of Holderbank Financiere Glarus, has succeeded former Swiss Finance Minister, Dr Nello Celio on the Credit Suisse board.

● PITNEY BOWES INC., Stamford, Conn., has elected *Mr Carmine F. Adimando as* vice president-controller of the corporation. He was vice-president-finance of the Wheeler Group, the direct mail catalogue subsidiary of Pitney Bowes. Mr Arthur R. Taylor, chairman, president and chief executive officer of RCTV Inc., and managing partner of Arthur Taylor and Co., has been elected a director of Pitney Bowes Inc.

● Mr Harry Breeden has been appointed executive chairman of NORWEST HOLST AUSTRALIA PTY. He was previously managing director of Norwest Holst Civil Engineering. The appointment is to strengthen and expand the group's operations in Australia.

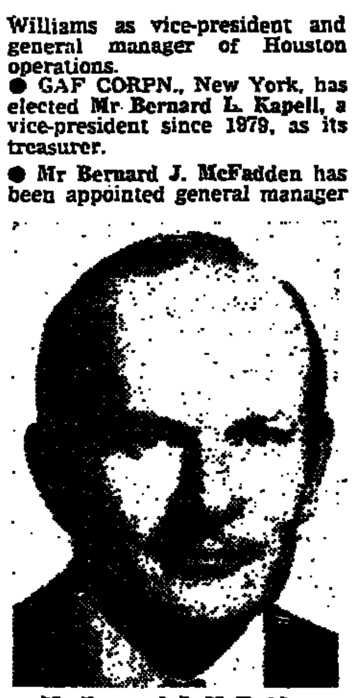
● Mr Ronald K. Glover has been appointed executive vice-president of marketing and consumer financial services group at American Express headquarters in New York.

● Mr James B. Youngblood has been named vice-president, marketing, of the peripherals division of PERTEC COMPUTER CO, California, a wholly-owned subsidiary of Triumph-Adler.

● Mr Matthew J. Wall, has been named vice-president of domestic operations of the M. W. KELLOGG CO., a Wheelabrator Frye Inc subsidiary. Mr Paul Williams, becomes senior vice-president of international operations, and Mr James J. Degnan, replaces Mr Williams as vice-president and general manager of Houston operations.

● GAF CORPN., New York, has elected Mr Bernard L. Kapell, a vice-president since 1979, as its treasurer.

● Mr Bernard J. McFadden has been appointed general manager



Mr Bernard J. McFadden

and executive vice-president of ITT Africa and the Middle East.

● COOPERS AND LYBRAND, Dublin, has appointed Mr Kevin J. Kell as deputy managing partner. He will succeed Mr Donal P. Flinn as managing partner on November 1. Mr Flinn, who has been chairman and managing partner since the establishment of Coopers and Lybrand in Ireland in 1968, will continue as chairman of the firm.

● DART AND KRAFT, INC. has named Mr William L. Jackson, president of Duracell International Inc., a business unit of Dart and Kraft, to the additional position of group vice-president of the corporation.

● Mr Hugh B. Firminger has been appointed director of the Michigan commerce department's trade office in Brussels.

● Mr Thomas M. McHugh, senior vice president and manager of directors and officers liability insurance for HARBOR INSURANCE COMPANY, Los Angeles, has retired. He is succeeded by Mr Allen A. Sterger.

● ASUAG (The General Corporation of Swiss Horological Industries) has appointed Mr Carl M. Meyer, assistant general manager of GWC (General Watch Co) financial director in place of Mr Heinz Hammerli. Mr Hans Sommer, general manager of Ebauches SA. is to take over the operational responsibility of Mr Hammerli for Les Fabriques d'Assortiments Reunies SA (FAR), Nivarox SA and Pierres Holding SA. These changes take effect from April.

● Mr Louis Castelli, president of Moore McCormack Energy, has been elected a vice president of the U.S. based MOORE McCORMACK RESOURCES INC.

● Mr Harry Taylor has been elected president of MANUFACTURERS HANOVER CORPORATION and Mr John R. Torell III president of MANUFACTURERS HANOVER TRUST COMPANY. Mr Taylor and Mr Torell, formerly vice chairmen of both organisations, succeed Mr John F. McGillicuddy who had been president of each institution. Mr McGillicuddy continues as *chairman and chief executive of both* the Trust Company and the Corporation. Mr Taylor has also been elected executive vice chairman of the Trust Company and Mr Torell executive vice chairman of the Corporation.

● ELECTRONIC MEMORIES AND MAGNETICS CORP. has appointed Mr W. D. Warren, formerly a vice president with Datapoint Corp. as president, replacing Mr Trude Taylor, who continues as chairman.

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Anheuser-Busch 16½ 83	100	103¾	104⅛	0	+0¼	15.45
APS Fin. Co. 17¼ 86 ...	60	105½	105⅞	0	0	15.35
APS Fin. Co. 16¼ 89	75	103¾	104¼	−0⅛	+0⅛	15.24
Armco O/S Fin. 15¾ 86	50	98⅝	99⅛	0	−0⅜	15.66
Australian Ind. 15½ 87	25	†98⅞	99⅜	+0⅜	+0½	15.83
Baker Int. Fin. 0.0 92	225	24	24½	+0⅛	−0¼	16.41
Bank Montreal 16½ 91	150	103½	103⅞	−0⅛	+0¼	15.46
Br. Colum Hyd. 16¼ 89	100	103½	103⅞	+0⅛	+0⅛	15.27
Br. Colum. Mfa. 17 97	54	103	103½	−0⅛	−0⅜	16.36
Burroughs Int. 15¾ 88...	50	101½	101⅝	−0⅛	+0⅛	15.38
Canadair 15½ 87	150	100⅛	100⅝	−0½	+0⅜	15.38
Can. Nat. Rail 14⅝ 91	100	97	97½	0	0	15.14
Carolina Power 16⅛ 89	60	102⅛	102⅝	0	+0⅜	15.88
Caterpillar Fin. 16½ 86	100	103⅛	103⅝	−0⅛	−0¼	15.34
CFMP 15¾ 96	100	101⅞	102⅜	+0⅛	+0⅜	15.33
CIBC 16¾ 91	100	104⅞	105⅜	0	+0¼	15.62
CIBC 16 87	100	102	102½	0	+0⅜	15.32
Citicorp O/S 16¾ 86 ..	150	103¾	104¼	0	+0¼	15.29
Cons.-Bathurst 17½ 88	60	102⅛	102⅝	−0⅛	−0⅛	16.20
Con. Illinois 15¾ 89 ...	100	102⅛	102⅝	+0⅛	+0⅛	15.13
Dupont O/S 14½ 88 ..	400	99½	99⅞	−0⅛	+0½	14.54
Dupont O/S Cap. 0.0 90	300	34⅝	35⅛	+0⅛	+0⅛	14.31
EIB 16¾ 91	100	104⅜	104⅞	0	−0⅜	15.73
Gen. Elec. Credit 0.0 92	400	27⅛	27⅝	−0¼	−0⅛	14.29
Gen. Elec. Credit 0.0 93	400	23½	24	+0⅛	−1⅛	15.33
GMAC O/S Fin. 16½ 84	300	101⅛	101⅝	−0¼	−0⅛	15.68
GMAC O/S Fin. 16 88	150	100⅜	100⅞	−0⅛	+0⅛	15.80
Gulf Oil Fin. 0.0 92 ...	300	26	26½	+0⅛	+0⅛	14.97
Gulf States O/S 17½ 88	60	103¾	104¼	−0⅛	−0⅛	16.37
Japan Airlines 15¼ 88	50	100½	101	−0⅛	0	15.04
Japan Dev. Bk. 15½ 87	50	101⅞	102⅜	0	+0⅜	14.87
Nat. Bk. Canada 16½ 88	40	100⅝	101⅛	+0⅛	+0⅛	16.91
Nat. West 14¾ 91	100	98⅝	99⅛	−0⅛	−0⅛	14.94
New Brunswick 17 88	60	106⅞	107⅜	−0⅛	0	15.16
New Brunswick 16¾ 89	75	102½	103	0	+0⅛	15.56
New & Lab. Hy. 17¼ 89	75	104	104½	0	+0⅝	16.18
Ohio Edison Fin. 17½ 88	75	105	105½	−0¼	−0⅛	16.07
OKG 15⅝ 97	50	98¼	98¾	0	+0⅛	15.97
Ontario Hyd. 16 91 (N)	200	103½	104	0	−0⅛	15.18
Pac. Gas & El. 15¾ 89	80	103½	104	+0⅛	+0⅛	14.90
J. C. Penney Gl. 0.0 94	350	[illegible]	[illegible]	0	[illegible]	18.65
Quebec Hydro 17½ 91	150	107½	108	0	0	15.58
Quebec Prov. 15¾ 89	150	[illegible]	[illegible]	[illegible]	[illegible]	15.43
R J. Rynlds. O/S 0.0 92	400	†26¾	27¼	0	[illegible]	14.55
Saskatchewan 16¾ 88...	100	102⅝	103⅛	0	0	15.46
Saskatchewan 16 89 ...	125	101½	102	[illegible]	[illegible]	15.57
Stansforetar 15¾ 87 ...	50	[illegible]	[illegible]	[illegible]	[illegible]	15.93
Sweden 14½ 88	150	[illegible]	96	[illegible]	[illegible]	15.51
Swed. Ex. Cred. 16½ 93	75	[illegible]	[illegible]	[illegible]	[illegible]	16.11
Texas Eastern 15⅞ 88...	75	[illegible]	[illegible]	[illegible]	[illegible]	15.54
Transcanada 15 89 ...	100	[illegible]	[illegible]	[illegible]	[illegible]	15.96
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Bank [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Bank [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	15.34

Average price changes... On day 0 on week [illegible]

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price changes... On day [illegible] on week [illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Ansett Transport 7¼ 92	50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian Dev. Bank 8 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Australia 6¾ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bolgelectric 7¾ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bell Canada 7¾ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bat. de Autopistas 8 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark 7¾ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dome Petroleum 7½ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB 7¾ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Elec. de France 7 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ENEL 8 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Genstar 7 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
I/S Elsam 8¼ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan Air Lines 7¾ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Neder. Gasunie 8 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nippon T. and T. 6¾ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
OKB 7¾ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oslo, City of 8 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ost. Donaukraft 7 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Saint-Etienne 8¼ 91	[illegible]	100	[illegible]	0	+1	7.61
Swed. Ex. Cred. 7¾ 91	75	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
TNT O/S Fin. 8 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.24
Transcanada Pipe. 7 94	100	101¾	102¼	+0¼	+0⅜	6.67
Unilever NV 7¼ 93	100	106	106½	[illegible]	[illegible]	6.52
World Bank 7 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.73
World Bank 8 91	100	104¼	105	−0⅜	−0⅜	7.34

Average price changes... On day +0¼ on week +0¼

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bk. 8¾ 91 ..	15	99⅞	100⅞	+0⅛	−0⅛	8.19
Finland, Rep. of 8½ 87	15	99⅞	100⅞	0	−0⅜	8.27
Int.-Amer Dev. 8⅞ 91	15	101⅞	102⅞	+0⅛	−1	8.51
Japan Airlines 7⅞ 87 ...	9	97⅞	98⅜	0	+0¼	8.38
New Zealand 8⅛ 87 ..	15	99⅞	100⅞	+0⅛	−0⅛	8.27

Average price changes... On day +0⅛ on week −0⅜

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Can. Utilities 17 96 C$	50	†98¼	98¾	+0¼	−0⅛	17.24
CIBC 15¾ 89 C$	75	†96	96½	0	0	16.67
Pancanadian 16½ 88 C$	65	†98¼	98¾	+0¼	+0⅛	16.83
Quebec 17½ 87 C$	50	†102½	103½	0	0	16.56
Queb. Urban 16¾ 86 C$	20	†100½	101½	−0⅛	+0⅛	16.35
Tordom Cpn. 16½ 88 C$	25	†97¾	98¾	0	−0¼	17.04
Transalta 17 89 C$	50	†99¾	100¼	+0¼	0	16.97
U. Bk. Nwy. 9½ 90 EUA	18	92	93½	0	0	10.90
Algemene Bk. 10¼ 86 Fl	60	100¼	100¾	−0¼	+0⅛	10.12
Amfas Group 12¾ 86 Fl	40	106¼	106¾	+0⅛	+0⅜	10.93
Amro Bank 12 86 Fl ...	75	104¾	105¼	+0⅛	+0½	10.46
Amro Bank 12 86 Fl ...	60	104⅞	105⅜	+0⅛	+0⅜	10.50
Pierson 10¼ 86 Fl	50	99⅝	100⅛	+0⅛	+0⅞	10.28
Rabobank 12 86 Fl	50	104⅜	104⅞	0	+0⅞	10.56
OKB 14 86 FFr	400	90½	91½	−0¼	−2⅝	17.32
Solvay et C. 14¾ 86 FFr	200	92½	93½	0	−1⅛	17.32
Acona 14 85 £	20	94⅝	95⅛	0	−0⅛	15.76
Beneficial 14¼ 90 £	20	86⅞	87⅜	+0⅛	−0⅛	17.21
BNP 13½ 91 £	15	90⅛	91⅛	−0⅛	−0¼	15.46
CECA 13½ 88 £	20	94⅛	95⅛	0	−0⅛	14.74
Citicorp O/S 13¾ 90 £...	50	95⅛	96⅛	−0⅛	−1⅛	14.44
Fin. Ex. Cred. 13⅜ 86 £	15	95	96	0	−0½	15.32
Gen. Elec. Co. 12½ 89 £	50	92⅞	93⅞	+0⅛	0	14.17
Hiram Walker 14⅜ 86 £	25	96⅞	97⅞	−0⅛	−0⅜	15.31
Privatbanken 14½ 88 £...	12	91⅞	92⅞	0	−0⅛	16.80
Reed (Nd) NV 16⅝ 89 £	25	100¼	101¼	+0⅛	−0⅛	16.55
‡ Rothschild 14¼ 90 £	12	97⅝	98⅝	−0⅛	−0½	14.60
Royal Trustco 14 86 £...	12	96⅝	97⅝	0	−0⅛	15.00
Swed. Ex. Cr. 13¾ 86 £	20	95⅞	96⅞	−0⅛	0	15.02
Eurofima 10½ 87 LuxFr...	500	96⅛	97⅛	+0⅛	+0⅛	11.31
EIB 9¾ 88 LuxFr	600	92⅞	93⅞	0	+0⅛	11.47

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Bank of Montreal 5¼ 91	0⅛	99⅛	99½	29/4	17.06	17.17
Bank of Tokyo 5¼ 91 ...	0⅛	98⅞	99⅛	10/6	13⅛	13.40
Bk. Nova Scotia 5¼ 93	0⅛	99⅛	99⅜	29/4	17.06	17.15
BFCE 5¼ 88	0⅛	99⅜	100⅛	28/4	16.94	16.96
BFCE 5⅛ 87	0⅛	99⅜	100⅛	27/7	16⅛	16.25
Christiania Bk. 5½ 91...	‡0⅛	99⅛	99⅜	5/5	16	16.09
Co-Ban Eurofin 5½ 91...	0⅛	98⅞	99⅛	14/4	16.69	16.88
Credit Nat. 5¼ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	14.90
Denmark, Kndm. of 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	15.57
Den Norske Cred. 5¼ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	13.86
Genfinance 5¼ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	15.54
GZB 5¼ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	15.05
Ind. Bank Japan 5¼ 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	13.33
Lloyds Eurofin 5¼ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	17.19
LTCB Japan 5¼ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	15.41
Midland Int. Fin. 5 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	17.13
Nat. Bk. Canada 5¼ 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	17.40
Nat. West. Fin. 5¼ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	15.79
Nippon Credit 5¼ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	16.12
Nordic Int. Fin. 5¼ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	15.82
Offshore Mining 5¼ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	13.11
Pemex 5 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	17.62
Pkbanken 5 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	14.50
Samsa Int. Fin. 5¼ 86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	17.34
Scotland Int. 5¼ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	14.13
Sec. Pacific 5¼ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	13.37
Societe Generale 5¼ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	15.37
Societe Generale 5¼ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	15.39
Standard Chart. 5¼ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	17.50
Sumitomo Fin. 5¼ 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	16.02
Sweden 5¼ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	15.45
Toronto Domin'n 5¼ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	16.38

Average price changes... On day 0 on week −0⅛

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 5½ 96	7/81	933	[illegible]	[illegible]	[illegible]	10.89
Bow Valley Inv. 8 95	4/81	23.12	[illegible]	[illegible]	[illegible]	85.10
Bridgestone Tire 5½ 96	3/82	470	[illegible]	[illegible]	[illegible]	−2.95
Canon 6¾ 95	1/81	829	[illegible]	[illegible]	[illegible]	3.11
Daiwa Secs. 6¾ [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	−0.71
Fujitsu Fanuc 4¼ 96	10/81	6770	[illegible]	[illegible]	[illegible]	24.59
Furukawa Elec. 5¼ 96	7/81	300	[illegible]	[illegible]	[illegible]	−7.78
Hanson O/S Fin. 9½ 96	8/81	1.38	[illegible]	[illegible]	[illegible]	8.75
Hitachi Cable 5¾ 96	2/82	515	[illegible]	[illegible]	[illegible]	−0.51
Hitachi Cred. Cpn. 5 96	7/81	1772	[illegible]	[illegible]	[illegible]	9.78
Honda Motor 5½ 97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.91
Inchcape 6 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	24.57
Kawasaki 5½ 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	−1.84
Marui 6 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.79
Minolta Camera 5 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Minorco 9 97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	15.09
Murata 5½ 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	73.32
NKK 6¾ 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	21.73
Nippon Chemi-C. 5 81	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2.72
Nippon Elec. [illegible]	3/82	[illegible]	[illegible]	[illegible]	[illegible]	1.97
Orient Finance 5¼ 97	3/82	[illegible]	[illegible]	[illegible]	[illegible]	7.41
Sanyo Electric 5 96	10/81	[illegible]	[illegible]	[illegible]	[illegible]	10.38
Sekisui [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	−0.06
Sumitomo Elec. 5½ 97	3/82	[illegible]	[illegible]	[illegible]	[illegible]	8.02
Sumitomo Met. 5¾ 96	10/81	[illegible]	[illegible]	[illegible]	[illegible]	16.65
Konishiroku 6 80 DM	2/82	[illegible]	[illegible]	[illegible]	[illegible]	−2.58
Mitsubishi H. 6 89 DM	2/82	[illegible]	[illegible]	[illegible]	[illegible]	9.09

EUROBOND TURNOVER
(nominal value in $m)

	Cedel	Euro-clear
U.S. $ bonds		
Last week......	5,682.0	9,839.8
Previous week	6,727.1	11,593.0
Other bonds		
Last week......	1,188.0	1,406.6
Previous week	870.6	390.9

* No information available—previous day's price.

† Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn = The current coupon. C.yld = The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv. date = First date for conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Kredietbank NV; Credit Commercial de France; Credit Lyonnais; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bank of Tokyo International; Bankers Trust International; Credit Commercial de France (Securities) London; Citicorp International Bank; Daiwa Europe NV; Deltec Securities (UK); EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Manufacturers Hanover; Merrill Lynch; Morgan Stanley International; Nikko Securities Company (Europe); Orion Royal Bank; Samuel Montagu and Co.; Scandinavian Bank; Societe Generale Strauss Turnbull; Sumitomo Finance International; S. G. Warburg and Co.; Wood Gundy.

Closing prices on March 19

The Application List for the Ordinary shares now offered for sale will open at 10 a.m. on Thursday, 25th March, 1982 and may be closed at any time thereafter.

Copies of this Offer for Sale, having attached thereto the documents specified herein, have been delivered to the Registrar of Companies for registration.

Application has been made to the Council of The Stock Exchange for the whole of the issued and now being issued share capital of AIM Group PLC ("the Company") to be admitted to the Official List.

This Offer for Sale includes particulars given in compliance with the Regulations of the Council of The Stock Exchange for the purpose of giving information with regard to the Company and its subsidiaries. The Directors have taken all reasonable care to ensure that the facts stated herein are true and accurate in all material respects and that there are no other material facts the omission of which would make misleading any statement herein whether of fact or of opinion. All the Directors accept responsibility accordingly.

This Offer for Sale does not constitute, and may not be used for the purpose of, an offer or solicitation to any person in any jurisdiction, or to any person resident in any jurisdiction, in which or to whom such an offer or solicitation is not lawful or authorised.

AIM GROUP PLC

(Incorporated in England under the Companies Acts 1948 to 1967, No. 972433)

Offer for Sale

by

COUN[illegible]BANK

L[illegible]

of 4,000,000 Ordinary shares of 10p each a[illegible] share payable in full on application.

The Ordinary shares now offere[illegible] dividends hereafter declared or paid on the Ordi[illegible] of the Company.

SHARE CAPITAL

Authorised	*Issued and now being issued fully paid*
£1,250,000 in 12,500,000 Ordinary shares of 10p each	£1,050,000

Indebtedness

At the close of business on 26th February, 1982 the Company and its subsidiaries had outstanding borrowings of £186,621 (of which £62,530 was secured), a hire-purchase commitment of £8,883 and a contingent liability of £150,000 under a counter-indemnity. Save as aforesaid and apart from intra-group liabilities, neither the Company nor its subsidiaries had at that date any loan capital, including term loans, outstanding, or created but unissued, mortgages, charges or other borrowings or indebtedness in the nature of borrowing, including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits, hire purchase commitments or guarantees or other material contingent liabilities.

KEY INFORMATION

The following information should be read in conjunction with the full text of the Offer for Sale.

Principal activities

The Group's primary activity is the design and manufacture of a broad range of aircraft cabin interiors and equipment and protective coverings for military and civil aircraft; other activities include mechanical and electrical contract engineering and the design and manufacture of a range of patented ovens for use in commercial catering.

Turnover and profits

Year to 30th April	*Turnover* £'000	*Profits before taxation* £'000
1977	1,777	141
1978	3,057	384
1979	6,234	281
1980	8,090	1,037
1981	10,132	1,705
1982 (forecast)		2,200

Market capitalisation

At the Offer for Sale price of 140p per share, the total value of the issued share capital immediately following the Offer for Sale will be £14.7 million.

Price-earnings ratio

On the basis of the forecast profit for the year to 30th April, 1982, adjusted to take account of interest on the net proceeds of the new shares now being issued, and after provision for corporation tax at 52 per cent., the price-earnings ratio at the Offer for Sale price of 140p per share is 13.6 times.

Dividends

On the basis of the expected dividend of 5.75p (net) per share for a full year, the gross dividend yield at the Offer for Sale price would be 5.87 per cent. After a full tax charge on the forecast profit, the dividend would be covered 1.75 times excluding the benefit of any waivers.

Net tangible assets

Following the Offer for Sale, the consolidated net tangible assets of the Group, based on the audited consolidated balance sheet at 31st October, 1981 and adjusted for the net proceeds of the new shares now being issued, will be £3.78 million.

DIRECTORS & ADVISORS

DIRECTORS

Robert MacDonald-Hall, (Chairman)
Victoria House, Victoria Street, Northam, Southampton SO1 1QZ.

Jeffrey Colin Smith, (Group Chief Executive)
Victoria House, Victoria Street, Northam, Southampton SO1 1QZ.

Casper MacDonald-Hall
Victoria House, Victoria Street, Northam, Southampton SO1 1QZ.

Robert Anthony Green, F.C.A.
Victoria House, Victoria Street, Northam, Southampton SO1 1QZ.

Sidney John Smith, M.Sc., C.Eng., F.R.Ae.S., F.B.I.S., A.M.J. Inst.E., M.I.E.T.
Victoria House, Victoria Street, Northam, Southampton SO1 1QZ.

SECRETARY AND REGISTERED OFFICE

Robert Anthony Green, F.C.A.
Victoria House, Victoria Street, Northam, Southampton SO1 1QZ.

STOCKBROKERS

Cazenove & Co.
12 Tokenhouse Yard, London EC2R 7AN.

SOLICITORS TO THE COMPANY

Rubinstein Callingham
6 Raymond Buildings, Grays Inn, London WC1R 5BZ.

SOLICITORS TO THE OFFER

Travers Smith, Braithwaite & Co.
6 Snow Hill, London EC1A 2AL.

JOINT AUDITORS AND JOINT REPORTING ACCOUNTANTS

Binder Hamlyn
8 St. Bride Street, London EC4A 4DA.

Rothman Pantall & Co.
Avebury House, St. Peter Street, Winchester, Hampshire SO23 8BN.

PROPERTY VALUERS

Conway Relf, Chartered Surveyors
44 St. James's Place, London SW1A 1PG.

BANKERS

National Westminster Bank PLC
21 Lombard Street, London EC3P 3AR.

REGISTRARS AND TRANSFER OFFICE

National Westminster Bank PLC
Registrar's Department, P.O. Box 82, 37 Broad Street, Bristol BS99 7NH.

The following information concerning the Company and its subsidiaries ("the Group") has been received by County Bank Limited from the Directors of the Company:–

INTRODUCTION

The Group's primary activity is the design and manufacture of a broad range of aircraft cabin interiors and equipment for military and civil aircraft. The range includes galley and cabin service units, overhead storage racks, soundproofing materials, interior decor and trim and aircraft seating. The Group also manufactures specialised covers for all-weather protection for use in the aviation industry. It is one of the leaders in its field, capable of supplying a complete package to meet the particular requirements of its customers which include governments, major world airlines, aircraft manufacturers and equipment suppliers.

In addition the Group has two other principal activities. These are, first, a contracting business which comprises the design, installation and maintenance of heating, air-conditioning, refrigeration, electrical and fire-protection systems; and second, the design and manufacture of a range of patented ovens which combine both micro-wave and convection principles known as "micro-aire" ovens.

HISTORY

The Group is the result of a series of successful acquisitions of a number of companies with good products and a sound engineering base, which were in need of reorganisation and investment. The Company was incorporated in February, 1970 by Mr. R. MacDonald-Hall and in that year acquired the assets and business of a mechanical and electrical contract engineering business, based in Southampton. This business is now carried on by a subsidiary, F. W. Cook (Mechanical Services) Limited ("Cooks"), and has been expanded to include refrigeration and air-conditioning. In 1972, largely as a result of his experience and interest in aviation, Mr. R. MacDonald-Hall and his family acquired the first of the companies engaged in the manufacture of aviation equipment, John E. Clarke & Co., (Bournemouth) Limited ("Jecco").

In 1973 Mr. R. MacDonald-Hall sold the Company, which is now the holding company for the Group, to Mr. J. C. Smith and Mr. C. MacDonald-Hall in equal proportions.

In 1978 the issued share capital of W. Henshall & Sons (Addlestone) Limited ("Henshall"), a public company listed on The Stock Exchange, was acquired by a general offer to its shareholders made by a joint company owned as two-thirds by the Company and one-third by Jecco. The acquisition of Henshall, together with its subsidiary, Fliteform Limited ("Fliteform"), greatly increased the Group's aviation business. This part of the business has subsequently been developed by the acquisition by a subsidiary, Henshall Bonded Assemblies Limited ("Bonded Assemblies"), of a business which manufactures lightweight composite materials.

Shortly before the acquisition of Henshall, Henshall had itself acquired Mealstream (UK) Limited ("Mealstream"), patent rights for a range of ovens and certain related assets.

In 1980 the Company acquired from Mr. R. MacDonald-Hall and his family their interests in Jecco, which included its one-third holding in Henshall. In 1982 the corporate structure of the Group was reorganised and the Company changed its name to AIM Group PLC.

BUSINESS

Since 1978 a rationalisation programme has been completed to separate the activities of the enlarged Group into three principal divisions: aviation, mechanical and electrical contracting and oven manufacture.

The relative contributions of the three divisions to turnover and profits before tax in the four financial years ended 30th April, 1981 and in the six months ended 31st October, 1981 were as follows:–

	Years ended 30th April, 1978 £'000	1979 £'000	1980 £'000	1981 £'000	*Six months ended 31st October,* 1981 £'000
Turnover					
Aviation	1,116	3,705	5,783	6,632	3,353
Mechanical and electrical contracting	1,941	2,211	1,774	3,089	2,108
Micro-aire oven manufacture	—	318	533	411	217
TOTAL	3,057	6,234	8,090	10,132	5,678

	Year ended 30th April, 1978 £'000	1979 £'000	1980 £'000	1981 £'000	*Six months ended 31st October,* 1981 £'000
Profits before tax					
Aviation	264	206	887	1,437	1,011
Mechanical and electrical contracting	120	91	109	221	106
Micro-aire oven manufacture	—	(16)	41	47	16
TOTAL	384	281	1,037	1,705	1,133

Aviation

This division comprises Henshall, Fliteform, Jecco and Bonded Assemblies and provides an integrated service covering the initial design stage, stress analysis, manufacture, installation, technical support and maintenance of complete aircraft cabin interiors, including equipment and associated hardware, soft furnishings and trim.

The aviation division companies and products are certified where relevant under appropriate engineering standards established by the United Kingdom Civil Aviation Authority, the Ministry of Defence and the Federal Aviation Administration in the United States of America.

Each of the four companies within the aviation division retains its own identity and distinct customer base, although their activities complement each other. The scope of the service to customers combined with the adaptability of its products enables the aviation division to cover the full extent of the aircraft cabin interior market from the commercial airlines and major aircraft manufacturers to military and private aircraft users. The market includes refurbishment and spares as well as the supply of equipment for new aircraft. Customers of the aviation division include the Ministry of Defence; a large number of the world's international airlines; major aircraft manufacturers; and equipment suppliers such as Martin-Baker Engineering, Plessey and EMI Electronics.

The proportion of sales in any one year to individual customers is dependent on the size and timing of particular contracts undertaken. This is especially true of sales to international airlines. Of the aircraft manufacturers, Boeing, British Aerospace, Westland Aircraft and Short Brothers are important customers. However, in the last two financial years, no customer has accounted for more than twenty-five per cent. of the division's turnover.

The proportion of sales in any one year exported from the United Kingdom is affected by the timing of contract completions and delivery dates and can therefore vary significantly from year to year. However, aggregate exports during the last three completed financial years amounted to 8 per cent. of the division's turnover.

Henshall operates from factory premises in Byfleet, Surrey. Principal products designed and manufactured are:–

— wide and narrow bodied aircraft galleys, together with insert equipment including warming ovens, high temperature ovens, beverage containers and water boilers:

— cabin service equipment, including a complete range of trolleys for meal service, duty free goods and waste.

— aviation sheetmetal components, aircraft interior doors, light structural parts, aerodynamic fairings, avionic racks, ductings and seat frames.

The galley systems, cabin service equipment and components are sold to civil aircraft manufacturers, the major British airlines and many European and international airlines. Henshall galley systems are installed in all British Airways' Concordes and L.1011 TriStars. Other aircraft fitted with Henshall galley equipment include BAe 146 and Boeing 727 and 737. Galley equipment for the new Boeing 757 is currently in production and Henshall has recently been awarded a contract by British Caledonian to supply galleys for its A310 Airbus fleet.

Fliteform operates from factory premises at Heathrow Airport where it designs and manufactures a range of civil aircraft interior furnishings and equipment. In addition, Fliteform supplies specialist and custom-made products, individually manufactured to meet particular requirements and specifications for private, business and commuter aircraft.

Principal products are:–

— aircraft cabin interiors, narrow bodied aircraft galley units, cabin service centres, on-board aircraft lounge units and in-flight catering equipment.

— overhead storage modules.

— galley catches and attachment fittings, locks and retainers, seat accessories and baby cots.

— aircraft floors, bulkheads and bulkhead attachment fittings.

Recent contracts have included first class compartment bar units for Lufthansa in their Boeing 747s and for Gulf Air in their L.1011 TriStars. "Flitelid" overhead storage modules have been fitted in over four hundred civil aircraft throughout the world. Fliteform is the exclusive supplier of galleys to Short Brothers for their SD-330 and SD-360 commuter aircraft. A significant part of Fliteform's business consists of providing custom-designed and built interiors for privately owned aircraft and helicopters.

Jecco operates from premises in Bournemouth and designs and supplies soft furnishing and upholstery for aircraft interiors and external protective coverings. Jecco's principal products, supplied to both military and civil aircraft and helicopter manufacturers, are:–

— pilot and passenger seat cushions, soundproofing panels and interior trim, mainly for helicopters.

— tropical and winter protective covers for aircraft, helicopters, radar ground equipment, aircraft probes and intake blanks and also map and instrument cases.

— survival and dinghy packs, and harness equipment for Martin-Baker ejector seats.

AIM GROUP PLC continued

Jecco is the main supplier to Westland Aircraft of soundproofing and soft trim for all its helicopters. Jecco is also a main contractor for the manufacture of weatherproof covers for the Ministry of Defence for such aircraft as Tornado, Harrier, Jaguar and Hawk. In addition, Jecco supplies soft furnishings and trim for Fliteform's custom-built interiors.

Bonded Assemblies operates from factory premises in Cambridge and manufactures lightweight sandwich panels, vacuum-formed plastic components and lightweight bonded assemblies which combine the strength and rigidity of conventional materials with a considerable weight saving.

Bonded Assemblies' products are particularly directed towards applications where it is important to maximise fuel savings by extensive use of lightweight materials. Apart from companies in the aviation industry (including other companies in the Group's aviation division) Bonded Assemblies' products are supplied for use in radar and other high technology installations, railway coach building and the racing car industry.

Mechanical and electrical contracting

Cooks, based in Southampton and Tonbridge, designs, installs and maintains heating, air-conditioning, refrigeration, electrical and fire-protection systems. The most important feature of Cooks' business and reputation is its ability to offer customers complete coverage of these building services within one contract. Among the customers with whom the company has long-established relationships are British Telecom, Trusthouse Forte, J. Sainsbury, Tesco and Grand Metropolitan.

Among the contracts recently completed have been works at the new London Metal Exchange, at the Waldorf Hotel and at a number of telephone exchanges for British Telecom.

Micro-aire oven manufacture

Mealstream operates from factory premises in Crawley and designs and manufactures the patented range of cooking ovens for commercial use known as "micro-aire" ovens which incorporate both microwave and convection principles. The micro-aire oven cooks faster than a micro-wave oven with, in addition, the improved taste and appearance of food cooked in a conventional oven, thereby overcoming one of the major shortcomings of the normal micro-wave process.

Customers for the micro-aire ovens now include Trusthouse Forte, the Ministry of Defence and British Rail, which has over 150 micro-aire ovens in use on trains including the High Speed Train. Further research has resulted in the recent development of a smaller and cheaper micro-aire oven, with, the Directors believe, a broader range of applications in, for example, small restaurants, public houses and fast-food establishments. A significant volume of Mealstream's business derives from the rental of micro-aire ovens on five year contracts.

Recent developments

State Boilers (UK) Limited ("State Boilers"), a recently incorporated subsidiary based in Eastleigh, Hampshire, commenced the importation and distribution of direct-fired water heaters from the United States in November, 1981. Initial trading experience has been satisfactory and the Directors are hopeful that this activity will make a useful contribution to profits.

MANAGEMENT AND EMPLOYEES

Directors

Robert MacDonald-Hall, aged 66, established the Company in 1970 and is the executive Chairman of the Group. He has had considerable experience in aviation.

Jeffrey Smith, aged 36, is the Group Chief Executive and has been a Director of the Company since its incorporation in 1970. His responsibilities include overall financial management and control.

Caspar MacDonald-Hall, aged 31, is the Group Sales Director and has been with the Company since its incorporation in 1970 and a Director since 1973.

Robert Green, aged 34, is a Chartered Accountant who joined the Company in 1978 from Rothman Pantall & Co., the Joint Auditors. He is the Financial Director and Company Secretary, having been appointed to the Board of the Company in 1982.

John Smith, aged 57, is a Chartered Engineer and has wide experience of design and engineering in the aviation industry. He has been Managing Director and Chief Designer of Fliteform since the company was formed in 1961 and a director of Henshall since 1976. He was appointed to the Board of the Company in 1982.

Each of the Directors is employed under a service agreement, details of which are set out in paragraph 5 of "Statutory and general information" below.

Organisation and management

The Board of the Company is responsible for Group policy decisions and the overall Group administrative and management functions. Representatives of the Board of the Company sit on the Boards of all subsidiaries to monitor the progress of each company and to co-ordinate Group strategy.

The day-to-day executive direction of each of the operating subsidiaries is delegated to the management of that subsidiary, which has its own accounting system and forms an independent profit centre. However, either the Group Chief Executive or the Group Sales Director is involved in the tendering for, and negotiation of, all major contracts, and monthly cost statements for each major contract are prepared for the Directors of the Company.

Senior management

The directors of the principal operating subsidiaries, some of whom are employed under fixed term service agreements of five years, and excluding those Directors of the Company who are also subsidiary company directors, are as follows:–

Name	*Age*	*Years of service*	*Position*
HENSHALL			
G. C. J. Mattingley	46	20	Engineering Director
V. J. Chennel	54	20	Technical Director
L. R. Mercer	33	3	Financial Director
FLITEFORM			
G. C. G. Saunders	57	21	Works Director
JECCO			
S. O. McDonald, A.C.I.S., M.B.I.M.	31	9	Commercial Director
C. R. Winterton	62	29	Technical Director
Mrs. D. M. Budd	58	24	Personnel Director
BONDED ASSEMBLIES			
G. C. J. Mattingley	46	20	Engineering Director
COOKS			
A. M. Derby	42	27	Joint Managing Director
D. Richards, A.C.I.MAR.E., M.INST.R., M.A.S.H.R.A.E.	55	6	Joint Managing Director
S. R. Jelley, M.C.I.B.S.	39	7	Technical Director
MEALSTREAM			
L. R. Mercer	33	3	Managing Director
G. C. J. Mattingley	46	20	Engineering Director
STATE BOILERS			
D. G. Barwood, M.I.B.E., M.INST.FUEL	52	25	Managing Director
D. Binge	34	—	Sales Director

Employees

As at 26th February, 1982 the Group had 491 employees distributed as follows:–

Aviation	400
Mechanical and electrical contracting	70
Micro-aire oven manufacture	21
	491

Employees belong to a variety of trade unions; the National Union of Sheet Metal Workers and the Transport and General Workers' Union are mainly represented. With the single exception of the national engineering unions' strike in 1979, there has not been a significant strike within any of the companies of the Group and industrial relations are good.

Fifty-seven of the employees have had fifteen or more years of service with the Group.

Twenty-four of the employees are undergoing training either as apprentices or industrial trainees. Employees are encouraged to attend external courses where appropriate. Each company within the Group has its own salary structure.

Henshall, Fliteform and Mealstream operate insured contributory pension schemes open to all relevant employees with one year's permanent service. Employees of the remaining subsidiaries are contracted into the State Scheme.

GROUP PROPERTIES

The premises from which the Company and its subsidiaries operate are described in paragraph 3 of "Statutory and general information" below.

Conway Relf, Chartered Surveyors, have carried out a valuation of these premises as at 31st October, 1981 on the basis of open market value. The valuation of the freehold and leasehold properties amounted to £1,129,500 and £15,500 respectively totalling £1,145,000.

The audited accounts as at 31st October, 1981 have been adjusted to incorporate the surplus arising from the revaluation of the freehold properties when compared with book value. No account has been taken of the contingent liability to tax of £230,000 on gains which might arise on the disposal of these properties at valuation.

PROCEEDS OF THE ISSUE

Of the 4,000,000 Ordinary shares which are the subject of this Offer for Sale, 500,000 are new Ordinary shares being issued by the Company for cash. The proceeds of the issue of these new shares, after deducting the expenses payable by the Company, will raise approximately £340,000 of additional working capital. The consolidated net tangible assets of the Group, based on the audited consolidated balance sheet at 31st October, 1981 and after adjustment for the net proceeds of the new shares being issued, will be £3.78 million.

Taking into account the net proceeds of the issue and the banking facilities available to the Group, the Directors are of the opinion that the Group has adequate working capital for its present requirements.

PROFIT RECORD AND FORECAST

The growth in turnover and profit of the Group over the five years ended 30th April, 1981 (as set out in the Accountants' Report below) and the forecast profit for the year ending 30th April, 1982 are summarised below:–

Year to 30th April	*Turnover £'000*	*Profits before tax £'000*
1977	1,777	141
1978	3,057	354
1979	6,234	281
1980	8,090	1,037
1981	10,132	1,705
1982 (forecast)		*2,200*

The acquisition of Henshall and its subsidiaries, completed in September, 1978, called for considerable management time to reduce overheads, increase turnover and restore profitability. However, during the financial year ended 30th April, 1980 the reorganisation and integration of Henshall and its subsidiaries was successfully completed and led to a rapid growth in profits.

For the financial year ended 30th April, 1981 strict management control and the policy of expanding the Group's customer base together produced a full workload and a significant improvement in productivity and profitability. In addition, the Group's indebtedness was materially reduced, with a consequent saving in interest charges.

These factors have continued into the current financial year and profit and turnover have shown further growth. Based on the profit earned in the half year to 31st October, 1981 and the principal assumption that is set out in the section headed "Profit forecast" below, the Directors forecast that, in the absence of unforeseen circumstances, the Group profit before taxation for the year ending 30th April, 1982 will be not less than £2,200,000.

On the basis of the number of Ordinary shares which will be in issue following this Offer for Sale, the forecast profit after provision for corporation tax at the rate of 52 per cent., adjusted as if interest at 13 per cent. per annum on the net proceeds of the new shares had been received for the whole year, represents earnings per share of 10.26p. At the Offer for Sale price of 140p per share, this implies a price-earnings ratio of 13.6 times. It is estimated that the actual provision for corporation tax will be at the rate of 47 per cent.

The Group has prepared Current Cost Accounts for the six months ended 31st October, 1981. These are set out in the "Accountants' Report" below. The net effect of the current cost operating adjustments and the gearing adjustment is to reduce historical cost profit before tax for this period by 8 per cent.

DIVIDENDS

The Board has not previously recommended the payment of Ordinary dividends. Following the Offer for Sale, and in the absence of unforeseen circumstances, the Directors intend to recommend (for payment in or about September, 1982 a final dividend of 3.85p per share in respect of the year ending 30th April, 1982. This would be the first dividend payable by the Company after the Offer for Sale.

In respect of a full year in which a level of profit similar to that forecast in this document were earned, the Directors would expect to recommend dividends totalling 5.75p per share payable approximately as to one-third as an interim dividend in March and the remainder as a final dividend in September. On the basis therefore of a total dividend of 5.75p per share (excluding the associated tax credit) dividends would be covered 1.75 times and would represent a gross yield of 5.87 per cent. on the Offer for Sale price of 140p per share.

Mr. J. C. Smith and Mr. C. MacDonald-Hall have waived their entitlement to dividends in respect of the year ending 30th April, 1982 on the shares being retained by them except for a nominal 0.1p per Ordinary share. If they were to waive their dividend entitlement in respect of a full year in which a level of profit similar to that forecast in this document were earned, then on a similar basis to that set out above the dividends paid to other shareholders would be covered 4.46 times.

PROSPECTS

The Directors believe that within the markets in which the Group operates there is ample opportunity for the Group to expand and to continue the growth in profit achieved in recent years, both by acquisition, where appropriate, and by development of the existing businesses.

The mechanical and electrical contracting division will continue to develop new markets for its services both within the United Kingdom and overseas.

Micro-aire ovens have attracted considerable interest since the launch of the new range in January of this year. The Directors intend to continue to support the product development of the micro-aire oven division so that new markets and applications can be identified and exploited.

The aviation division is expected to continue as the central and most profitable aspect of the Group's future activities. The largest part of the division's activity relates to the civil aircraft market where recent forecasts indicate prospects for a significant expansion in the market for new civil aircraft in the next decade. This expansion, encouraged by demands for fuel economy and noise reduction, is expected to derive partly from the replacement of aircraft and partly from the growth in the market for commuter feederliner aircraft. The remainder of the division's turnover derives from defence spending by Western governments, notably the United Kingdom, the United States and other members of the NATO alliance, which the Directors expect to be sustained.

In recent years particular efforts have been made to widen the scope of the aviation division's business. The number of major customers has been considerably increased, thus generating a greater level of recurring work and spares orders. An increased proportion of civil work now relates to refurbishment of aircraft interiors and the division is well placed to take advantage of the forecast expansion in demand for new aircraft. The order book is at a high level with an export content of 12 per cent. The spread of customers and the relative proportions of new business and repeat orders demonstrate the quality of the aviation division's earnings.

ACCOUNTANTS' REPORT

The following is a copy of a report to the Directors of the Company and the Directors of County Bank Limited made by Binder Hamlyn, Chartered Accountants, and Rothman Pantall & Co., Chartered Accountants, the Joint Auditors and Joint Reporting Accountants:–

The Directors,
AIM GROUP PLC
COUNTY BANK LIMITED

18th March, 1982

Gentlemen,

REPORT ON THE AUDITED ACCOUNTS FROM 1st MAY, 1976 TO 31st OCTOBER, 1981

AIM Group PLC ("the Company") was incorporated as F. W. Cook (Mechanical Services) Limited on 13th February, 1970. The Company operates as a holding company having transferred its trading assets and business, which comprised mechanical and electrical contracting, to a recently incorporated company which has since acquired the name F. W. Cook (Mechanical Services) Limited.

The Company acquired for cash a number of subsidiaries during the period covered by this report. Some subsidiaries were acquired from certain of the present Directors and their family interests while the remainder was acquired from third parties. Where subsidiaries were acquired from certain of the present Directors and their family interests the financial information set out below is presented as if they had been subsidiaries throughout the period. Information concerning the remaining subsidiaries has been included from the dates of their acquisition.

Details of subsidiaries acquired from certain of the present Directors and their family interests are as follows:–

1. The C Group Limited ("C Group") was acquired on 30th April, 1980 for a cash consideration of £450,000 and additional consideration of £268,000 conditional upon any of the Company's securities being admitted to listing on any recognised Stock Exchange prior to 30th April, 1983. The principal subsidiary of C Group was John E. Clarke & Co., (Bournemouth) Limited. On 24th February, 1982 C Group changed its name to John E. Clarke & Co., (Bournemouth) Limited and acquired the business and assets of its subsidiary.
2. Jetseats Limited ("Jetseats") was acquired in November, 1979 for a cash consideration of £50,000.
3. F. W. Cook (Refrigeration & Air Conditioning) Limited was acquired in April, 1981 for a cash consideration of £166,000.

No notional interest cost on the purchase considerations paid to the vendor Directors and their family interests has been included in the financial information set out in this report in respect of periods prior to acquisition by the Company.

Subsidiaries acquired from third parties are as follows:–

1. W. Henshall & Sons (Addlestone) Limited ("Henshall") with its subsidiaries, Fliteform Limited ("Fliteform"), Mealstream (UK) Limited and Henshall Bonded Assemblies Limited was acquired as a result of a general offer to its shareholders in May, 1978. Henshall was formerly listed on The Stock Exchange. Fliteform has since acquired the business of its fellow subsidiary Jetseats which is now dormant.
2. J.D.A. Partners (Bonding Laminators) Limited was acquired in December, 1980.
3. Magnetising Techniques Limited was acquired in May, 1981.

Following a group reorganisation on 5th March, 1982, all trading companies have become direct subsidiaries of the Company with the exception of J.D.A. Partners (Bonding Laminators) Limited and Magnetising Techniques Limited.

We have examined the audited accounts of the Company and its subsidiaries (together called "the Group") from 1st May, 1976 to 31st October, 1981. Rothman Pantall & Co. have been Auditors of the Company and each of its subsidiaries throughout this period except for the periods before acquisition of those subsidiaries purchased from third parties. *On 12th March, 1982 Binder Hamlyn were appointed Joint Auditors of the Company and each of its subsidiaries.*

The financial information presented below is based on the audited accounts after making such adjustments as we consider appropriate. In our opinion the financial information, which has been prepared under the historical cost convention as modified by the revaluation of freehold properties, gives a true and fair view of the state of affairs of the Company at 31st October, 1981 and of the Group at each balance sheet date from 30th April, 1977 to 31st October, 1981 and of the profits of the Group for the period 1st May, 1976 to 31st October, 1981 and of the source and application of funds of the Group for the period 1st May, 1980 to 31st October, 1981 on a consistent basis.

In our opinion, the abridged supplementary current cost statements for the six-month period ended 31st October, 1981 have been properly prepared in accordance with the policies and methods described in the notes to give the information required by Statement of Standard Accounting Practice No. 16.

No audited accounts of the Company have been prepared since 31st October, 1981.

ACCOUNTING POLICIES

The principal accounting policies, which have been consistently applied in preparing the financial information in this report, are as follows:–

(a) Basis of accounting

The accounts have been prepared under the historical cost convention modified by the revaluation of freehold properties.

(b) Basis of consolidation

The accounts of all subsidiary companies are prepared to the same accounting date as the Company. When companies are acquired the purchase consideration is allocated to the underlying net assets acquired and the difference between the net assets and the purchase consideration is dealt with as capital reserve or goodwill on consolidation.

(c) Turnover

Turnover, which excludes value added tax, represents:–
(i) invoiced sales to third parties for completed work;
(ii) movement in work in progress in respect of long term contracts; and
(iii) revenue in respect of assets leased to customers.

(d) Stock and work in progress

Stock and work in progress are valued at the lower of cost and net realisable value. Provision is made for obsolescence and for slow-moving items.

The cost of work in progress and finished goods comprises materials, production labour and production overheads appropriate to the state of manufacture. In the case of long term contracts where it is possible to estimate the amount of accrued profits with reasonable certainty the attributable profit is taken into account, but provision is made for any known or anticipated losses in respect thereof.

(e) Fixed assets and depreciation

Fixed assets are stated at original cost to the Group less accumulated depreciation, with the exception of *freehold properties which were professionally valued as at 31st October, 1981.*

Depreciation is calculated to write off fixed assets in equal annual instalments over their estimated useful lives as follows:–

Freehold buildings	Between 25 and 40 years
Leasehold property	Amortised over term of lease
Motor vehicles	5 years
Plant and machinery	Between 5 and 13 years
Furniture and fittings	10 years
Rental assets	5 years
Helicopter	5 years

(f) Deferred taxation

Deferred taxation is provided on the liability basis except where the Directors are satisfied that no amount will become payable in the foreseeable future.

No provision is made for taxation which might be payable in the event of the disposal of freehold properties at the amounts at which they are stated in the accounts.

(g) Foreign currencies

Foreign currency assets and liabilities are translated at rates ruling at the year-end. Profits and losses on the exchange of foreign currencies arising during the year on normal trading transactions are included in cost of sales.

GROUP PROFIT AND LOSS ACCOUNTS

The Group profits for the period under review are as follows:–

	Notes	*Years ended 30th April, 1977*	*1978*	*1979*	*1980*	*1981*	*6 months ended 31st October, 1981*
		£'000	£'000	£'000	£'000	£'000	£'000
Turnover	1	1,777	3,057	6,234	8,090	10,132	5,678
Cost of sales	2	1,616	2,658	5,792	6,845	8,318	4,549
Operating profits		161	399	442	1,245	1,814	1,129
Interest payable/(receivable)	3	20	15	161	208	109	(4)
Profits before taxation	1	141	384	281	1,037	1,705	1,133
Taxation	4	55	88	90	102	648	531
Retained profits attributable to shareholders		86	296	191	935	1,057	602
Earnings per share	5	0.9p	3.0p	1.9p	9.4p	10.6p	6.0p

STATEMENTS OF NET ASSETS

Statements of net assets of the Company and of the Group at 31st October, 1981 and of the Group at 30th April, 1977 to 1981 are set out below:–

Company At 31st October, 1981		*Notes*	*Group At 30th April, 1977*	*1978*	*1979*	*1980*	*1981*	*At 31st October, 1981*
£'000			£'000	£'000	£'000	£'000	£'000	£'000
113	Fixed assets	6	201	218	1,466	1,480	1,844	1,910
1,439	Interest in subsidiaries	7	—	—	—	—	—	—
—	Interest in associated company		—	90	121	—	—	—
1,552			201	308	1,587	1,480	1,844	1,910
	Current assets							
638	Stock and work in progress	8	401	469	1,818	2,879	2,315	[illegible]
613	Debtors	9	369	547	1,437	1,815	1,791	2,190
—	British Government securities	10	—	—	—	—	—	448
64	Cash and bank balances		12	27	5	30	8	197
1,315			782	1,043	3,250	4,724	4,114	[illegible]
	Current liabilities							
1,104	Creditors	11	541	571	1,566	2,813	2,324	2,672
4	Taxation	12	91	159	146	102	692	1,194
—	Bank overdrafts and loans (secured)		142	100	1,320	1,439	47	—
1,108			774	830	3,032	4,354	3,063	[illegible]
207	Net current assets		8	213	218	370	1,051	[illegible]
(12)	Deferred taxation	15	(56)	(67)	(98)	(97)	(60)	[illegible]
—	Mortgage loans	14	(36)	(36)	(36)	(36)	(36)	[illegible]
1,747	Share capital and reserves	13	117	418	1,671	1,717	2,599	3,445

Since 31st October, 1981 the trading assets of the Company have been transferred to a new subsidiary renamed F. W. Cook (Mechanical Services) Limited.

GROUP STATEMENTS OF SOURCE AND APPLICATION OF FUNDS

The source and application of funds of the Group for the year ended 30th April, 1981 and the six months ended 31st October, 1981 are as follows:–

	Year ended 30th April, 1981	*6 months ended 31st October, 1981*
	£'000	£'000
Source of funds		
Profits before taxation	1,705	1,133
Depreciation	181	90
Generated from operations	1,886	[illegible]
Sale of fixed assets	85	[illegible]
	1,971	[illegible]
Application of funds		
Purchase of fixed assets	433	[illegible]
Purchase of subsidiaries	166	[illegible]
Taxation paid	97	[illegible]
	696	[illegible]
Increase/(decrease) in working capital		
Stock and work in progress	(874)	[illegible]
Debtors	(37)	[illegible]
Creditors	500	[illegible]
	575	[illegible]
Increase/(decrease) in net liquid funds		
Bank overdrafts	1,418	47
Cash and bank balances	(22)	[illegible]
British Government securities	—	448
	1,396	[illegible]

NOTES TO THE GROUP ACCOUNTS

	Years ended 30th April, 1977	*1978*	*1979*	*1980*	*1981*	*6 months ended 31st October, 1981*
	£'000	£'000	£'000	£'000	£'000	£'000
1. Analysis of turnover and profits before taxation:–						
Turnover						
Aviation	843	1,116	3,705	5,783	6,632	[illegible]
Mechanical and electrical contracting	934	1,941	2,311	1,774	3,089	2,108
Micro-aire oven manufacture	—	—	218	533	411	327
	1,777	3,057	6,234	8,090	10,132	[illegible]
Profits before taxation						
Aviation	90	264	206	887	1,437	1,011
Mechanical and electrical contracting	51	120	91	109	321	106
Micro-aire oven manufacture	—	—	(16)	41	47	16
	141	384	281	1,037	1,705	1,133
2. Cost of sales includes:–						
Depreciation	44	47	100	140	181	90
Directors' emoluments	78	35	82	164	161	106
Auditors' remuneration	4	5	10	16	24	22
Loss on sale of associated company	—	—	—	20	—	—
Profit on sale of listed investments	—	—	—	—	(13)	—
3. Interest payable comprises:–						
Interest payable	22	15	161	208	110	8
Less: Interest receivable	(2)	—	—	—	(1)	(12)
	20	15	161	208	109	(4)
4. The taxation charge comprises:–						
Corporation tax at 52 per cent.	59	77	84	102	685	535
Deferred taxation	(4)	11	6	—	(37)	(4)
	55	88	90	102	648	531

5. Earnings per share

Earnings per share have been calculated by dividing the profit after taxation for each year by 10,000,000, being the number of Ordinary shares of 10p each in issue immediately before the subscription of new shares under the Offer for Sale.

6. Fixed assets

Fixed assets at 31st October, 1981 comprise:–

	Cost or valuation £'000	*Depreciation £'000*	*Net book amount £'000*
Group			
Freehold properties	1,130	—	1,130
Short leasehold properties	78	63	15
Plant, machinery, fixtures and fittings	792	363	429
Motor vehicles	382	140	242
Helicopter	104	91	13
Rental assets	146	65	81
	2,632	722	1,910
Company			
Plant, machinery, fixtures and fittings	35	15	20
Motor vehicles	142	49	93
	177	64	113

The freehold properties were valued at £1,129,500 by Conway Relf, Chartered Surveyors, as at 31st October, 1981 at open market value on an existing use basis.

7. Interest in subsidiaries

The interest in subsidiary companies at 31st October, 1981 is made up as follows:–

	£'000
Shares at cost, less provisions	1,185
Amount owing by subsidiaries	190
Dividends receivable	1,245
	2,620
Less: Amount owing to subsidiaries	1,181
	1,439

Details of subsidiary companies at the date of this report, all of which are wholly owned and incorporated in England, are:–

Name	*Date of incorporation*	*Issued and fully paid share capital*	*Activity*
W. Henshall & Sons (Addlestone) Limited	24th June, 1940	£250,000	Aviation engineering
Fliteform Limited	23rd March, 1961	£ 200	Aviation engineering
John E. Clarke & Co., (Bournemouth) Limited	9th March, 1971	£ 400	Aviation engineering
The C Group Limited*	16th November, 1946	£105,000	Dormant
Henshall Bonded Assemblies Limited	28th January, 1939	£ 6,000	Aviation engineering
J. D. A. Partners (Bonding Laminators) Limited*	30th December, 1977	£ 100	Aviation engineering
Mealstream (UK) Limited	24th June, 1959	£355,755	Oven manufacture
Magnetising Techniques Limited*	7th June, 1979	£ 100	Electrical engineering
F. W. Cook (Mechanical Services) Limited	24th November, 1981	£ 10,000	Mechanical and electrical contracting
F. W. Cook (Refrigeration & Air Conditioning) Limited	10th March, 1971	£ 5,050	Mechanical and electrical contracting
State Boilers (UK) Limited	10th July, 1981	£ 1,000	Water heater distribution
Jetseats Limited	24th May, 1967	£ 10,000	Dormant

*Indirect holdings.

F. W. Cook (*Mechanical Services*) *Limited*, which was incorporated on 24th November, 1981, has acquired the business and trading assets of the Company with effect from 1st February, 1982.

State Boilers (UK) Limited, which was acquired by the Company from certain Directors on 5th March, 1982, commenced trading in November, 1981.

8. Stock and work in progress

	£'000	£'000
Raw materials		783
Work in progress	3,569	
Less: Amounts received on account	1,912	
		1,657
Finished goods		143
		2,583

9. Debtors

Included in debtors at 31st October, 1981 is an investment in forest land stated at cost, including expenses, of £100,300. The Company has contracted to sell the land for £101,225 to two present Directors with completion on 6th April, 1982.

10. British Government securities

The British Government securities had a middle market value of £432,000 at 31st October, 1981 and have since been sold for £456,000.

11. Creditors

Included in creditors at 31st October, 1981 is an amount of £268,000 which represents additional purchase consideration for the acquisition of C Group on 30th April, 1980.

12. Taxation

Included in the taxation provision at 31st October, 1981 is £535,000 in respect of the profit for the six month period to 31st October, 1981 which will not become payable within one year.

13. Share capital and reserves

Movements in share capital and reserves during the period ended 31st October, 1981 were:–

	Years ended 30th April, 1977	*1978*	*1979*	*1980*	*1981*	*6 months ended 31st October, 1981*
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue reserves						
Brought forward	127	213	509	700	886	1,880
Retained profit for the period	86	296	191	935	1,057	602
Transfer to capital reserve on acquisition of subsidiaries	—	—	—	(749)	(63)	—
Carried forward	213	509	700	886	1,880	2,482
Capital reserves/(goodwill)						
Brought forward	(119)	(119)	(119)	943	806	699
Arising on acquisition of subsidiaries	—	—	1,062	(137)	(107)	(5)
Surplus on revaluation of properties	—	—	—	—	—	249
Carried forward	(119)	(119)	943	806	699	943
Share capital						
The Company	20	20	20	20	20	20
Subsidiaries prior to acquisition	3	8	8	5	—	—
	23	28	28	25	20	20
Share capital and reserves	117	418	1,671	1,717	2,599	3,445

AIM GROUP PLC continued

On 30th November, 1981 the authorised share capital of the Company was increased to £80,000 by the creation of a further 60,000 Ordinary shares of £1 each, which were issued by way of capitalisation of reserves.

On 18th March, 1982 the authorised share capital of the Company was increased to £1,250,000. Following a sub-division of the £1 Ordinary shares into 10p Ordinary shares, 9,200,000 Ordinary shares were allotted by way of capitalisation of reserves to existing shareholders on the basis of 23 new Ordinary shares of 10p each for every two existing Ordinary shares *of 10p* each, thus increasing the total number of Ordinary shares issued to 10,000,000.

No dividends were declared or paid by the Company during the relevant period.

14. Mortgage loans

Two loans amounting to £36,000, which are repayable in 1988 and 1994, are secured on a freehold property and on life assurance policies on the lives of two Directors.

15. Deferred taxation

The potential deferred taxation liabilities and provisions at 31st October, 1981 are set out below:–

	Group		*Company*	
	Potential deferred taxation £'000	*Provision* £'000	*Potential deferred taxation* £'000	*Provision* £'000
Accelerated capital allowances	343	56	12	12
Tax on capital gains which would arise if freehold properties were realised at their balance sheet values	230	—	—	—
	573	56	12	12

16. Capital commitments

Neither the Company nor the Group had any material capital commitments at 31st October, 1981.

17. *Contingent liabilities*

At 31st October, 1981 the Company had given a counter-indemnity for £150,000 in respect of finance granted to a property development company. The Group will receive a fee in respect of this counter-indemnity and the Directors consider that no liability will arise.

ABRIDGED SUPPLEMENTARY CURRENT COST STATEMENTS

Group current cost profit and loss account for the 6 months ended 31st October, 1981

	Notes	£'000	£'000
Historical cost profit before interest and taxation			1,129
Current cost operating adjustments			
Depreciation	2	53	
Working capital	3	69	
			122
			1,007
Gearing adjustment	4	29	
Interest receivable less payable		4	
			33
Current cost profit before taxation			1,040
Taxation			531
Retained current cost profit attributable to shareholders	7		509
Current cost earnings per share			5.1p

Summarised Group current cost balance sheet at 31st October, 1981

		£'000	£'000
Fixed assets	2/5		2,434
Net current assets			
Working capital	3		
Stock and work in progress		2,606	
Monetary working capital		(43)	
		2,563	
Other current liabilities (net)		(893)	
			1,670
			4,104
Mortgage loans		36	
Deferred taxation		56	
			92
			4,012
Share capital			20
Reserves			
Current cost reserve	6	680	
Other reserves	7	3,332	
			3,992
			4,012

NOTES TO THE CURRENT COST STATEMENTS

1. Accounting policies

The accounting policies applied in the current cost accounts are those used in the accounts prepared under the historical cost convention except for modifications required to comply with Statement of Standard Accounting Practice No. 16.

Stock and work in progress is included at current replacement cost as are fixed assets (after deducting *depreciation*).

The six months to 31st October, 1981 is the first period for which the Group has prepared current cost accounts and therefore comparative figures are not available.

2. Fixed assets and depreciation

The gross current replacement cost of fixed assets has been derived as follows at 31st October, 1981:–

Freehold property—Professional valuation

Other fixed assets—Mainly at valuation by the Directors and management; in certain instances Government indices have been applied to the historical costs.

The depreciation adjustment is the difference between depreciation based on the current replacement cost *of fixed assets and the depreciation charge based on historical cost.*

3. Working capital

This includes stocks, work in progress and trade debtors less trade creditors. In order to allow for the impact of price changes on working capital an adjustment is made to the operating costs calculated on an historical basis. It is based on movements in various Government price indices appropriate to the separate trading activities within the Group.

4. Gearing adjustment

This reduces the other current cost adjustments in the proportion that net operating assets are financed by outside borrowings as opposed to share capital and reserves.

5. Fixed assets

	Gross current replacement cost £'000	*Depreciation* £'000	*Net current replacement cost* £'000
Land and buildings	1,208	63	1,145
Other fixed assets	2,484	1,195	1,289
	3,692	1,258	2,434

6. Movement on current cost reserve

	£'000	£'000
Balance at 1st May, 1981		557
Revaluation surpluses reflecting price changes in the period on:–		
Fixed assets	(2)	
Stock and work in progress	12	
		10
Current cost operating adjustments		122
Gearing adjustment		(29)
Balance at 31st October, 1981		660

7. Movement on other reserves

	£'000
Balance at 1st May, 1981	2,579
Retained current cost profit for the period	509
Arising on acquisition of subsidiary	(5)
Surplus on revaluation of properties	249
Balance at 31st October, 1981	3,332

Yours faithfully,
BINDER HAMLYN,
Chartered Accountants

ROTHMAN PANTALL & CO.,
Chartered Accountants

PROFIT FORECAST

The principal assumption relating to, and letters on, the profit forecast are as follows:–

(a) Principal assumption

The profit forecast of the Group for the year ending 30th April, 1982 takes into account the audited results for the six months ended 31st October, 1981 and subsequent management information: the principal assumption in relation to the remainder of the financial year is that there will be no significant disruption to planned production or deliveries.

(b) Letters

The following are copies of letters relating to the profit forecast for the year ending 30th April, 1982:–

Letter from the Joint Reporting Accountants

The Directors, AIM Group PLC, Victoria House,
Victoria Street, Northam, Southampton SO1 1QZ

18th March, 1982

Gentlemen,

We have reviewed the accounting policies applied and calculations made in preparing the forecast of profit before taxation of AIM Group PLC and its subsidiaries ("the Group") (for which you, as Directors, are solely responsible) for the year ending *30th April, 1982, set out in the Offer for Sale dated 18th March, 1982. The profit* forecast takes into account the audited consolidated results of the Group for the six months ended 31st October, 1981 and subsequent management information.

In our opinion, the profit forecast, so far as the accounting policies and calculations are concerned, has been properly compiled on the basis of the principal assumption made by you set out in the Offer for Sale dated 18th March, 1982 and is presented on a basis consistent with the accounting policies normally adopted by the Group.

Yours faithfully,
BINDER HAMLYN,
Chartered Accountants

ROTHMAN PANTALL & CO.,
Chartered Accountants

Letter from County **Bank Limited**

The Directors, AIM Group PLC, Victoria House,
Victoria Street, Northam, Southampton SO1 1QZ

18th March, 1982

Gentlemen,

We have discussed with you the profit forecast of AIM Group PLC and its subsidiaries for the year ending 30th April, 1982 and the principal *assumption on which it is* based, set out in the Offer for Sale dated 18th March, 1982. We have also discussed with Binder Hamlyn and Rothman Pantall & Co. the work that they have done in respect of the forecast as set out in their letter to you dated 18th March, 1982. We consider that the profit forecast (for which you, as Directors, are solely responsible) has been made after due and careful enquiry.

Yours faithfully,
for COUNTY BANK LIMITED,
S. R. METCALF,
Director

STATUTORY AND GENERAL INFORMATION

1. *Share capital of the Company*

The Company was incorporated in England as a private company on 13th February, 1970 under the name of F. W. Cook (Mechanical Services) Limited. On 5th January, 1982, the Company was re-registered as a public company and its name was changed to AIM Group PLC on 12th February, 1982.

On 18th March, 1980, the authorised share capital of the Company was £20,000, divided into 20,000 Ordinary shares of £1 each, all of which were issued and fully paid. On 30th November, 1981 the authorised share capital was increased to £80,000 by the creation of a further 60,000 Ordinary shares of £1 each, which were issued by way of capitalisation of reserves, on the basis of 3 new Ordinary shares for each existing Ordinary share then held.

By or pursuant to Special Resolutions passed on 18th March, 1982:–

(a) the authorised share capital was increased by £1,170,000 to £1,250,000 by the creation of an additional 11,700,000 Ordinary shares of 10p each;

(b) each existing Ordinary share of £1 each was sub-divided into 10 Ordinary shares of 10p each;

(c) 9,200,000 Ordinary shares of 10p each were allotted by way of capitalisation of reserves to existing shareholders on the basis of 23 new Ordinary shares of 10p each for every two existing Ordinary shares of 10p;

(d) the objects of the Company were altered and new *Articles of Association* were *adopted;*

(e) the Board was generally and unconditionally authorised, pursuant to Section 14 of the Companies Act 1980, for a period of five years from 18th March, 1982, to allot unissued shares up to a maximum amount of £1,170,000; and

(f) the Board was empowered, pursuant to Section 18 of the Companies Act 1980, to allot, pursuant to the authority contained in (e) above, 500,000 new Ordinary shares to County Bank Limited in accordance with the sale and subscription agreement referred to in paragraph 6 below as if Section 17(1) of that Act did not apply.

As part of arrangements referred to in paragraph 7 below for the acquisition by the Company of the whole of the issued share capitals of John E. Clarke & Co., (Bournemouth) Limited (then called The C Group Limited) and F. W. Cook (Refrigeration & Air Conditioning) Limited:–

(a) on 30th April, 1980, John E. Clarke & Co., (Bournemouth) Limited issued to its existing shareholders, Mr. and Mrs. R. MacDonald-Hall and Mr. C. MacDonald-Hall, 200 Ordinary shares of £1 each by way of capitalisation of reserves; and

(b) on 29th April, 1981, F. W. Cook (Refrigeration & Air Conditioning) Limited issued to its existing shareholders, Mr. J. C. Smith and Mr. C. MacDonald-Hall, 5,000 Ordinary shares of 1p each by way of capitalisation of reserves.

Save as disclosed above:–

(a) no share or loan capital of the Company or any subsidiaries has been issued within the two years immediately preceding the date of this Offer for Sale or is now proposed to be issued fully or partly paid, either for cash or for a consideration other than cash;

(b) no commissions, discounts, brokerages or other special terms have been granted by the Company or any of its subsidiaries within the said two years in connection with the issue or sale of any share or loan capital of such companies; and

(c) no capital of the Company or any of its subsidiaries *is* under option or agreed conditionally or unconditionally to be put under option.

No material issue of shares of the Company (other than to shareholders pro rata to existing shareholdings) will be made within one year of the date of this Offer for Sale without the prior approval of the Company in General Meeting.

Following this Offer for Sale 2,000,000 Ordinary shares of 10p each of the Company will remain unissued but no issue of such shares which would effectively alter the control of the Company will be made without prior approval of the Company in General Meeting.

2. Articles of Association

The Articles of Association of the Company, adopted on 18th March, 1982, contain *inter alia* provisions to the following effect:–

[illegible]

3. Premises

The principal properties owned and occupied by the Company and its subsidiaries are as follows:–

[illegible]

4. Directors and other interests

[illegible]

5. Directors' service contracts and emoluments

[illegible]

6. Sale and subscription agreement with County Bank Limited

[illegible]

7. Material contracts

[illegible]

8. Taxation

[illegible]

9. General

[illegible]

10. Documents for inspection

[illegible]

Dated 18th March, 1982

PROCEDURE FOR APPLICATION

[illegible]

THE APPLICATION LIST WILL OPEN AT 10 A.M. ON THURSDAY, 25th MARCH, 1982 AND MAY BE CLOSED AT ANY TIME THEREAFTER.

AIM GROUP PLC

OFFER FOR SALE
by COUNTY BANK LIMITED
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APPLICATION FORM

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TECHNOLOGY

EDITED BY ALAN CANE

Geoffrey Charlish looks at Bosch's flexible automated line

Bolt-on method for production lines

A REMARKABLY comprehensive flexible automated assembly system developed by Bosch of Stuttgart, enabling virtually any size of manufacturing company to make a start in this field is to be manufactured and marketed in the UK, the Irish Republic and South Africa by Marwin Production Machines of Wolverhampton (0902 65363).

The system has been progressively developed by Bosch over several years and is widely used in its own plants to assemble automotive and consumer products. A modular approach has been taken, with many standard items that can be assembled into a production line costing from £500 to in excess of £2m.

Companies starting in a small way can easily add workstations, manual or automatic, at a later date and none of the existing elements will become redundant.

Fundamental to the Bosch design is a constructional framework system that can meet any dimensional requirement and which can be broken down and reconfigured with great ease.

Several heavy duty aluminium extrusions are employed and the appropriate lengths are just cut off and bolted together with gussets and other joiners.

Double nylon belt pallet-carrying transportation systems (giving good pallet access from above or below) have also been developed, with robust pallet identification systems than can be read by the control computers.

Beyond this, however, Bosch has developed its own special servodrive units, several kinds of linear robots, drive and transfer stations and has even tackled the computers and programmable controllers in-house.

According to Horst Kaufmann a sales executive of the Bosch industrial equipment division, about 80 per cent of all mechanically assembled products have an envelope less than 200 x 200 x 200 mm and weigh less than 5 kg, containing less than 20 components.

The new system can deal with a component of 300 x 300 x 300 mm, weighing 15 kg (soon to be upgraded to 25 kg), using a variety of pallet/conveyor widths.

All compatible

Complete transfer systems to bring the assembly on its pallet to the right place at the right time have been devised and in most of Bosch's own manual station applications buffer systems are incorporated so that operators are not forced to work at fixed line speeds. Several of the Bosch lines are completely automatic, with few personnel in sight.

Using electric or pneumatic actuators, a variety of handling and feeding facilities can be provided — magazines, chutes, bowl feeders, inclined feeders, even robots—to feed joining processes that include presses, screw runners, rivets and welders.

Because these are all compatible in fixing/installation terms, it is possible to modify any line quickly for the number of assembly points and degrees of automation, in line with changing production requirements.

The simplest unit is a mechanised manual workstation, for assembly at a single point. Beyond that, a semi-automatic system with conveyor (multiple assembly points) can be contemplated which later could become fully automatic.

Similarly, and by employing the Bosch robots, a complex, single-point assembly unit can be constructed which could later be extended to a multi-point arrangement with the handling work shared by a number of robots.

Bosch has a 2,000-strong industrial equipment division that designs and makes these components and systems, for which managing director Dr Gerhard Widl believes there will be an increasing demand as world manufacturing conditions change.

He emphasises that because of widespread industrialisation in previously non-industrial countries, both markets and production life cycles are becoming smaller, complexity is increasing and markets have to be exploited at short notice with the high-quality products that are demanded nowadays.

Meanwhile, labour costs are rising—and it has to be remembered that assembly accounts for about 40 per cent of the wage bill.

Widl hints that Bosch, a prime component supplier to Europe's car makers, has been largely driven to flexible manufacturing systems.

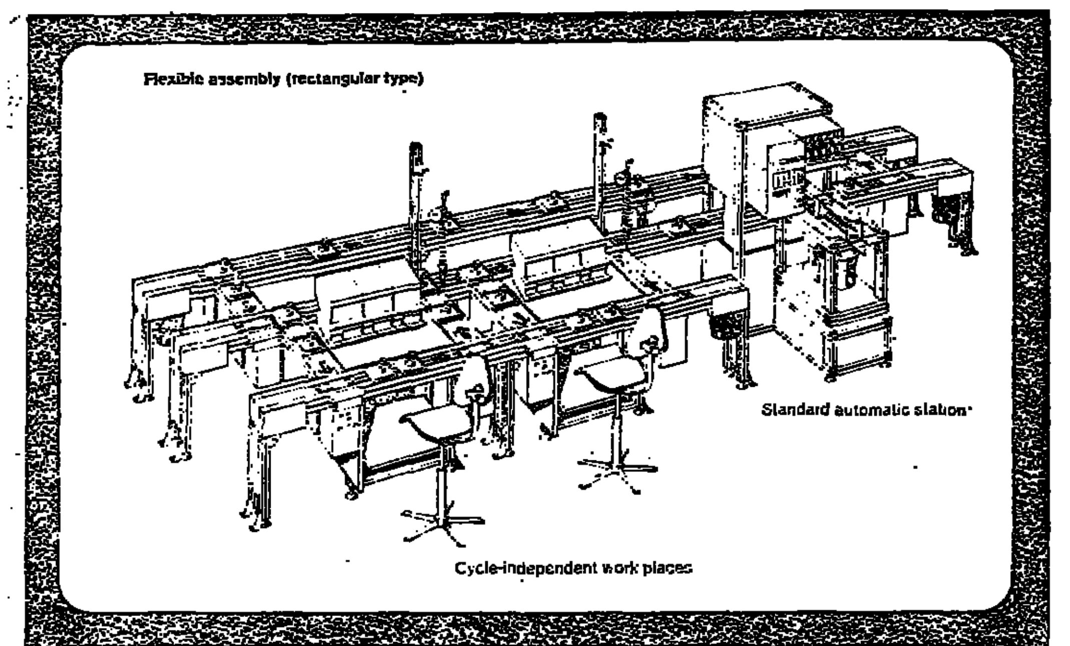
"Often," he said, "we don't know what next year's products will be like—so there is a great need for re-useable machinery." This, he believes, is becoming truer by the minute for many other manufacturers as well. Stocks, too, must be kept lower to cut tied-up money.

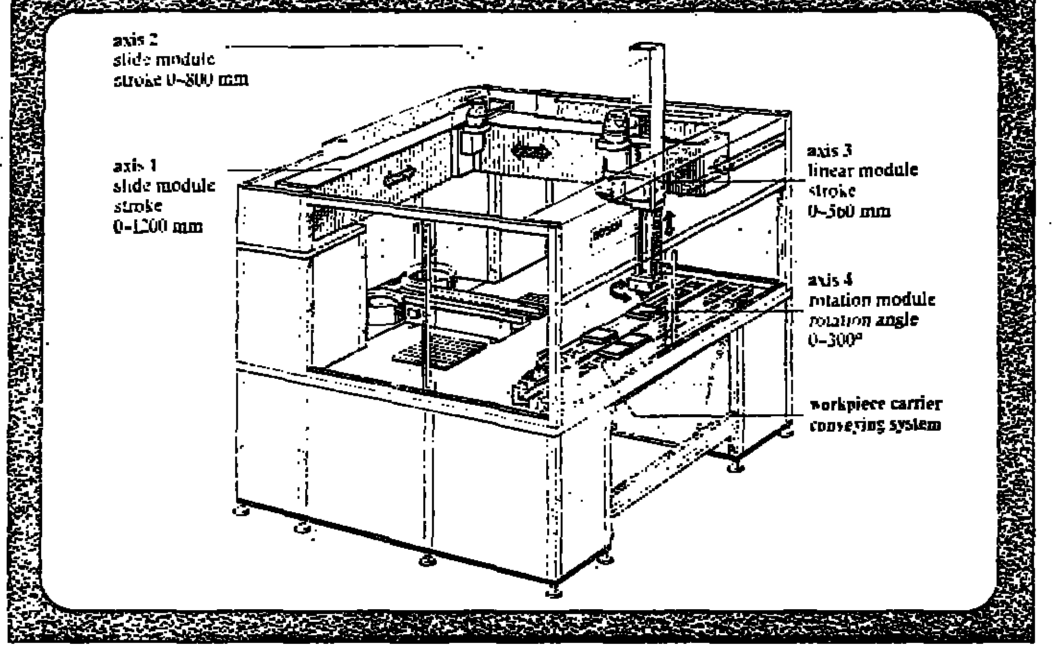
Inevitably, believes Widl, production runs will become smaller, directly implying the need for flexible manufacturing systems of all kinds—although for the time being the company is steering clear of metal removal, preferring to put the assembly problem first.

National goal

The position has to be, claims Widl, that if any company in a particular market automates, the others will have to follow in order to remain competitive.

Flexible, automated plant is a national goal in Japan and there is obvious evidence that it will increasingly set up "home-grown" plants in many other countries—"thus exporting unemployment."





Built from standard components, this three station assembly line shows (top) how manual stations with buffers (to obviate the need for operators to work at precisely line speed) can be used in conjunction with a completely automatic station. One of Bosch's more advanced concepts is this four-axis robotic unit (lower diagram). The vertical head (with grippers at the bottom) has up and down motion and moves from front to back on a gantry which slides from left to right. Thus the head can cover the whole base area of the unit, picking and placing items from various bowl feeders or other inputs. The vertical head is shown in the assembling position, where the rotational motion of the grippers can be seen.

The Magnascan scanner series.

Optical scanner for composition

CROSFIELD ELECTRONICS, the specialist in advanced printing technology, has built on its experience with its Queen's Award winning colour separation machine to launch a new series of page composition devices, the Studio 800.

What Crosfield has done is to develop machines which shorten the awkward and time-consuming business of preparing colour printing blocks from photographs.

Rather than using conventional filters to separate out the three primary printing colours, the Magnascan 570—the award winner—uses optical scanning techniques and stores the results as digits.

The new family comprises three levels—the 820, 840 and 860 which Crosfield describes as levels of capability rather than specific hardware configurations.

The first, the 820 is an enhanced Magnascan 570; this uses planning films to position the scanned images.

The 840 has a colour monitor and special software (computer instructions) which offer a number of image adjustments and colour retouching.

Top of the line 860 offers advanced colour retouching, air brushing and image rotation and resizing as standard.

Long term digital storage of the images can be provided on tape. More from Crosfield on 01-212 7766.

ALAN CANE

The piggy back chip

"MICROCHIPS have little chips upon their backs to byte'em. And little chips have smaller chips and so on ad infinitum," as the poet might have said.

Hitachi's latest device conjures up whole new ways of building microcomputers. It is a microcomputer on a chip plugged in piggy back fashion.

The HD 68P01 is an eight bit 6800 compatible device containing 128 bytes of fast access memory on the chip, together with a serial communications interface, three function 16 bit timer and 29 input/output ports.

Plug a 2K, 4K or 8K ultra violet light erasable electrically programme read only memory (EPROM) into its back and you have a complete microcomputer system.

Hitachi can explain more about its tall, thin microcomputers on 01-861 1414.

Pianolas in modern electronic style

BY ELAINE WILLIAMS

AUTOMATIC piano players, pianolas, were once popular among middle-class families who felt the need for a piano but lacked the musical talent to play well.

Though the technology of pianos has changed little, a U.S. company has developed an electronic version of the automatic system which can be fitted to any ordinary piano.

At £1,500 to fit the system, Markson Pianos, London, which markets the Pianocorder, does not see it as simply a rich man's toy. It could be used, for example, to play during the interval between live music in pubs and clubs.

Instead of storing the note sequence as holes on punched paper, as did the old mechanical versions, the music is recorded digitally on an ordinary audio cassette.

These signals are interpreted by the electronic circuit to activate solenoids fitted near to each piano key and the pedals. When activated each solenoid copies the action of the human hand.

The digital recording system allows the piano to be played with the same expression as the original performance.

So far a library of more than 3,000 cassettes is available which range from classical, or jazz to modern music.

Bristol Crusader at £25,000

THE Avon Crusader 3, a three-axis CNC milling machine, has been introduced by Avon Machines International of Bristol.

Costing about £25,000, the machine has been designed to use the Anilam Crusader CNC system with MDI programming.

The three horsepower spindle motor offers two infinitely variable speed ranges—60-500 rev/min and 500-4,000 rev/min.

Traverses are 712 mm on the x axis, 356 mm on the y and 127 mm on the z. Feed rates on all axes are programmable between 1 and 2100 mm/min. The machine will rapid traverse at 5 m/min in all axes simultaneously.

Memory capacity of the control system is 500 data blocks. Facilities include linear and circular interpolation, mirror image machining, tool length and radius compensation and feedrate override of 0-120 per cent.

Avon Machines is at Union Road, St. Philips, Bristol (0272 277862).

From Sweden

NOW available in Britain is the Swedish IRO HFS100 high speed grinding machine. Turbine driven, the machine has exchangeable collets for various tools, an operating speed up to 80,000 rpm with a precision balanced spindle. More on 01-636 2361.

INSURANCE

Uneconomic premiums come under attack

BY JOHN MOORE, CITY CORRESPONDENT

FOR THE last four years established underwriters have condemned the extent to which aggressive competitors have cut insurance premium rates to what they consider to be uneconomic levels.

While they may be concerned, there is, however, little they can do to stop the trend. Insurance is a cyclical business and when too many insurers, with too much capacity, chase business volumes which are not growing at the same rate as capacity, then premium rates fall. In the insurance world the trend is exaggerated when interest rates rise. With interest rates at historically high levels, insurers who are not making a profit on their underwriting can produce an ultimate profit through shrewd investment.

Established insurers are unhappy with this trend. They are forced to follow the rates down to maintain their market share, although they can still disclose a respectable, ultimate profit thanks to the high level of interest rates. They may not be making as much profit as they would like but at least their overall account can be maintained in reasonable balance at a time when the market is unhealthy.

At all insurers' conventions there is widespread condemnation of the activities of what is often mentioned as a "lunatic fringe" of new competitors who are putting pressure on insurance rates.

Lloyd's of London manages to maintain its profits at around record levels in spite of the competition, although there are signs that it is losing market share. Computer leasing losses, one of the largest series of claims in the market's history, left the market relatively unscathed although present estimates of total losses run at $450m (£250m). Many underwriting syndicates at Lloyd's have suffered from the series of asbestosis claims.

Asbestosis insurance claims have caused problems for Lloyd's mainly because losses have materialised as a block of claims and the market was not sufficiently protected by excess of loss reinsurance.

In spite of huge losses, the Lloyd's market has managed to declare an underlying underwriting profit since the mid-1960s. And there are few signs that the market is prepared to follow rates down sufficiently to declare an overall underwriting loss.

But if rates are still going down, to what extent are they falling? The question was answered at a recent conference in London by Mr Michael Payne, a Lloyd's underwriter.

He gave several examples to demonstrate the extent to which the less responsible end of the market is using the high level of interest rates to make a return on premium rates which are pared to the bone.

A pharmaceutical manufacturer producing ethical drugs on a large scale placed a facultative reinsurance in the London market at a tenth of the previous rates required for products liability.

A heavy industrial engineering group in Australia with a turnover of A$110m (£65m) managed to arrange a package liability cover in London for a premium of A$30,000, which was fully supported.

Mr. Payne said: "Time and again we are faced with an unreal cut of 50 per cent or more in last year's premium frequently from a competitive market comparatively new to the scene but which the broker is prepared to support provided that the security is satisfactory."

He argued that there is a need for greater discipline in the London market.

This week's business in Commons and Lords

TODAY

Commons: Mental Health (Amendment) Bill, second reading. Proceedings on the Agricultural Training Board Bill and the Industrial Training Bill.

Lords: Travel Concessions (London) Bill, report. Coal Industry Bill, second reading. Taking of Hostages Bill, third reading. Wages Councils (Abolition) Bill, second reading. Debate on hard drug taking by the young in major cities.

Select Committee — Public Accounts — subject: Financial control and accountability in the National Health Service. Witnesses: Sir Kenneth Stowe, KCB, Department of Health and Social Security: Mr A. L. Rennie, CB, Scottish Home and Health Department: Mr T. P. Hughes, CB, Welsh Office. (Room 16, 4.45 pm.)

TOMORROW

Commons: Social Security and Housing Benefits Bill, remaining stages. Motions on the Social Security Class 1 Contributions Order, and on the State Scheme Premiums Order.

Lords: Canada Bill, committee. Prevention of Terrorism (Temporary Provisions) Act 1976 (Continuance) Order, motion for approval.

Select Committees: Environment — subject: Inquiry into the methods of financing local government in the context of the Government's green paper (Command 8449). Witnesses: Association of County Councils and Professor C. Foster. (Room 16, 4.00 pm.)

Social Services — subject: University Grants Committee cuts and medical services. Witnesses: Rt Hon Sir Keith Joseph, Bt, MP, Secretary of State for Education and Science and Mr Kenneth Clark, QC, MP, Minister of State for Health. (Room 21, 5.30 pm.)

WEDNESDAY

Commons: Civil Jurisdiction and Judgments Bill, second reading. Debate on the CAP Price Proposals for 1982-83 contained in European document 4624/82. Motion on the Industrial Relations (Northern Ireland) Order.

Lords: debate on increase in crime and the problems involved in the maintenance of law and order, and the need to strengthen and support the police.

Select Committees—Industry and Trade — subject: the Post Office. Witnesses: Post Office Unions Committee; Private Sector Competitors: Association of International Air Couriers, and Securicor. (Room 16, 10.30 am.)

Scottish Affairs — subject: rural road passenger transport and ferries. Witnesses: Mr Malcolm Rifkind, MP, Parliamentary Under-Secretary of State for Scotland and officials of the Scottish Development Department (Room 5, 10.30 am).

Welsh Affairs — subject: scrutiny of Welsh Office departments. Witnesses: Welsh Office Health and Social Work Group (Room 18, 10.30 am).

Education, Science and Arts —subject: biotechnology. Witnesses: the Royal Society (Room 6, 11.00 am).

Public Accounts — subject: working practices in the National Health Service. Witnesses: Sir Kenneth Stowe, KCB, Department of Health and Social Security: Mr A. L. Rennie, CB, Scottish Home and Health Department: Mr T. P. Hughes, CB, Welsh Office (Room 16, 4.00 pm).

Employment — subject: the Commission for Racial Equality's draft Code of Practice for the elimination of racial discrimination and the promotion of equality of opportunity in employment. Witnesses: Mr David Lane, chairman, Commission for Racial Equality (Room 8, 4.15 pm).

Social Services — subject: age of retirement. Witnesses: Department of Health and Social Services and Government Actuary. Room 21, 4.15 pm).

Treasury and Civil Service Committee — subject: the 1982 Budget and the Government's expenditure plans 1982-83 and 1984-85. Witnesses: The Rt Hon Sir Geoffrey Howe, QC, MP, Chancellor of the Exchequer (Room 15, 4.30 pm).

Joint Committee on Consolidation and Bills: to consider the Civil Aviation Bill (Lords), the draft Land Compensation (Northern Ireland) Order 1982 and the draft Criminal Evidence (Northern Ireland) Order 1982.

THURSDAY

Commons: Debate on law and order.

Lords: Canada Bill, third reading. Travel Concessions (London) Bill, third reading. Dissemination of Pornography Bill, second reading. Salmon Fisheries (Protection) (Scotland) Bill report. Debate on the Government's intention to establish a bunker at Naphill, Buckinghamshire, on National Trust Land.

FRIDAY

Commons: Private Members' Motions.

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	London Fashion Exhibition (01-385 1200) (until Mar 26)	Olympia
Mar 25-26	Wine Fair (0734 481713)	New Horticultural Hall, Westminster
Mar 25-Apr 2	Metalworking '82 Exhibition (0737 68611) and International Metalcutting Machine Tools Exhibition (01-402 6671)	NEC, Birmingham
Mar 28-Apr 1	British Exhibition of Fine Jewellery and Sterling Silver (01-493 7628)	Goldsmith's Hall, London
Mar 29-Apr 1	Audio Visual Exhibition (01-688 7788)	Wembley Conf. Centre
Mar 31-Apr 2	Fashion Fabrex Exhibition (01-385 1200)	Olympia
Apr 5-7	Concrete Society Exhibition and Conference (01-730 8252)	Met. Exbn. Hall, Brighton
Apr 7-14	Birmingham Motor Show (0602 51202)	Bingley Hall
Apr 9-18	International Motorcycle Show (0203 27427)	NEC, Birmingham
Apr 18-19	British Pet Industry Exhibition (0233 38656)	Exhibition Centre, Harrogate
Apr 19-23	International Fire Security and Safety Exhibition—IFSSEC (01-388 7661)	Olympia
Apr 20-22	All Electronics Show (0799 22612)	Barbican Centre
Apr 22-24	International Property Exhibition (01-499 8311)	Cumberland Hotel, W.1
Apr 22-May 3	International Ideal Homes Exhibition (021-705 6707)	NEC, Birmingham
Apr 23-25	Computer Fair (01-643 8040)	Earls Court

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Current	Woodworking Machinery Exhibition (01-439 3964) (until Mar 23)	Paris
Current	Petroleum Show (01-486 1961) (until Mar 26)	Peking
Current	Middle East Business Equipment Show (01-486 1951) (until Mar 25)	Bahrain
Mar 23	Invitational Computer Conference and Exhibition (01-994 6477)	Frankfurt
Mar 23-27	International Energy and Engineering Trade Fair (01-236 0911)	Stuttgart
Mar 25-28	The Fourth International Travel Fair—TRAVEL 82 (021-705 6707)	Singapore
Apr 6-9	First International Energy Technology Exhibition (01-839 5041)	Tokyo
Apr 14-23	National Mechanics Trade Fair (01-486 8686)	Sao Paulo
Apr 15-24	International Electronic Packaging and Production Equipment Exhibition — INTERNEPCON (0483 38085)	Peking
Apr 20-25	International Building Exhibition—FINNBUILD (01-486 1951)	Helsinki
Apr 22-26	International Carpet, Wallpapers, Wall Coverings and Furnishing Textiles Exhibition—PARITEX (01-439 3964)	Paris
Apr 25-29	Agricultural Industry Exhibition—SAUDI-AGRICULTURE (01-486 1951)	Riyadh

BUSINESS AND MANAGEMENT CONFERENCES

Mar 22	Oyez-IBC: European Symposium on the Candu Reactor (01-242 2481)	Portman Hotel, W1
Mar 23	IPS: Currency Differentials (0990 23711)	Midland Hotel, Manchester
Mar 24	CBI: Business Realities—Are We Understood? (01-379 7400)	Centre Point, WC1
Mar 25-27	The Institute of Administrative Management: Administrators of the Future (01-658 0171)	Bournemouth
Mar 25-26	DRI Europe: After the Recovery: Planning for Renewed Growth (01-222 9571)	Waldorf Hotel, WC1
Mar 25-26	The American Chamber of Commerce (United Kingdom): Operating in British Industry—An In-Depth Briefing for Senior American Executives (01-370 3176)	Dorchester Hotel, W1
Mar 26	Dun and Bradstreet: Understanding Credit and Collections (01-247 4377)	Cafe Royal, W1
Mar 29-Apr 2	RRG Conferences: Reinsurance Practice (01-236 2175)	Ryl. Westminster Hotel, SW1
Apr 4-7	University of Leeds: Freight Transport Policy—The Role of New Technology (0532 35036)	Harrogate
Apr 6-7	Lloyd's of London Press: Ship Finance (01-730 2182)	Singapore
Apr 7	The Henley School of Forecasting: Corporate Plans after the Budget (01-353 9961)	London Press Centre, EC4
Mar 20-24	International Council of Shopping Centres: European conference on Downtown Shopping Centres (0734 861101)	Paris
Mar 23	British Institute of Energy Economics: Energy Conservation in Industry—the Anglo Swedish Experience (01-930 2233)	9 St James's Square, SW1
Mar 23	Institute of Directors annual convention (01-839 1233)	Royal Albert Hall, W8
Mar 30-Apr 2	IIA-UK: Annual European Forum on Computer Audit, Control and Security (01-628 9001).	Hilton Hotel, W1

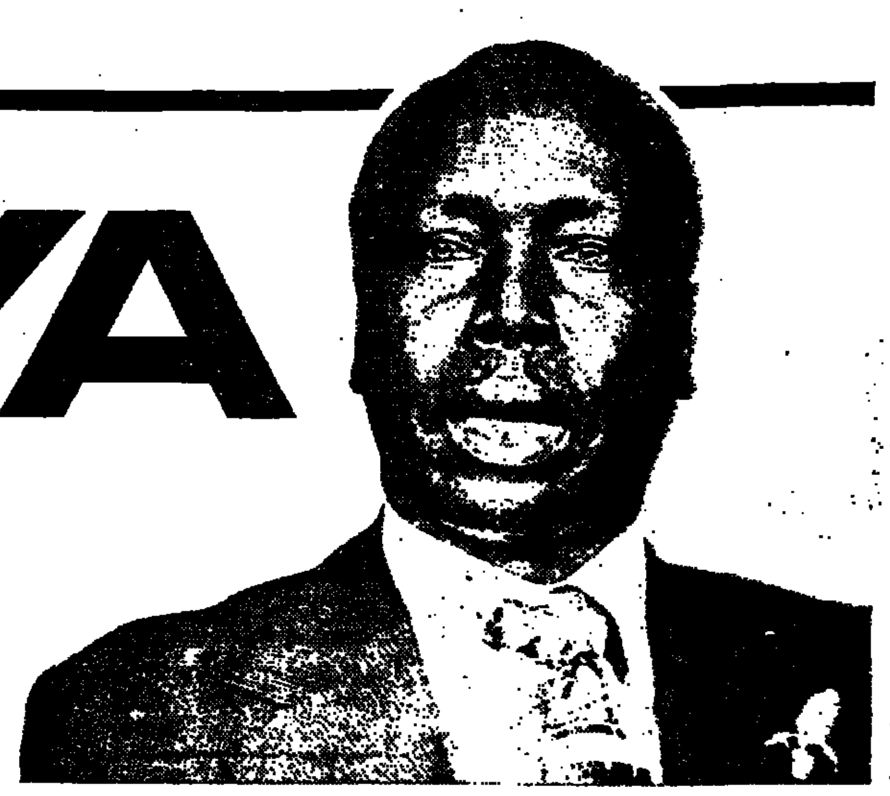
Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

FINANCIAL TIMES SURVEY

Monday, March 22, 1982

KENYA

The recession that has battered the economies of Africa has not spared even the more resilient, such as Kenya: once regarded as a model mixed economy, it must now come to terms with straitened circumstances.



President Daniel arap Moi (above) with his two most senior Ministers: Vice-President Mwai Kibaki (near left) and Mr Charles Njonjo, Minister of Constitutional Affairs (far left)

High standards face a critical test

BY MICHAEL HOLMAN

THE MOOD in Kenya is changing as economic problems take their toll. The painful adjustment to what the Government warned two years ago would be a "time of austerity" is under way, and inevitably the process provides political capital for government critics, and puts those in power on their mettle.

The downturn in the economy has eroded the standard of living of most of Kenya's 17m people and no relief is in sight. Politicians appear preoccupied by the rivalry of two leading ministers which has little to do with how Kenya should tackle its growing economic and social problems, and everything to do with power and personality. Government handling of Opposition, real or imagined, often smacks of the heavy handed or petty.

President Daniel arap Moi skilfully guided the country through the potentially dangerous period of transition after the death of President Jomo Kenyatta in August 1978.

His "Nyayo" slogan (literally "footsteps") implied continuity and stability. He released all political detainees and began a process of bringing the Luo people and their leader, former Vice-President Mr Oginga Odinga, back into the mainstream of Kenyan life, from which they had been largely excluded by President Kenyatta.

President Moi also introduced populist measures—including free school milk and abolition of primary school fees—and he pledged an end to corruption.

More recently, his role as Chairman of the Organisation of African Unity (OAU) has given the President an international role in which he has won respect, despite the difficulties and divisions within the organisation.

The honeymoon is over, however. Jomo Kenyatta, who contributed little to the day-to-day running of government in his final years, was fortunate that the coffee and tea boom of 1976 came when it did. The windfall postponed the impact of balance of payments deficits, dwindling foreign exchange reserves, and the inability of the economy to maintain the extraordinary growth rates of the first decade of independence.

It is now Mr Moi who has to explain the consequences for the economy of the international recession, sluggish commodity prices and rising fuel prices. He has to preside over a steady decline in per capita income due in part to a 4 per cent annual growth in a population for 85 per cent of whom the land must provide a living. Yet 80 per cent of that land is arid or semi-arid; smallholdings are being subdivided beyond viable levels; land hunger is increasing.

There are few new jobs in the cities—formal employment rose only 2.5 per cent in 1981. Earnings—the minimum urban wage is 450 Shillings a month (£23.40)—are eroded by inflation officially put at 13 per cent last year, and still rising.

If the consequences of failure to adjust to changing economic conditions are part of the Kenyatta legacy, the former President also left behind a party—the Kenya African National Union (KANU)—which had become ossified, intolerant and inflexible.

The party gives the impression that it has not changed over the past two-and-a-half years.

Under Mr Kenyatta, KANU national executive elections, supposed to be held every two years, were rare events. The last under his reign was in the late 1960s. The next took place in 1978, after his death, when KANU had formally to elect a President—who, under the KANU constitution, would be the party's sole candidate in the general elections in 1979.

There have been no KANU elections since. Last year Mr Moi explained that much of his time was taken up by OAU affairs. KANU elections were therefore postponed and there is a possibility that they will be held towards the end of this year, or early in 1983.

The prospect is fuelling the rivalry between the two most powerful politicians next to President Moi: Mr Mwai Kibaki, the Vice-President, and Mr Charles Njonjo, the Minister of Constitutional Affairs. Both were involved in a Cabinet reshuffle last month: Mr Kibaki relinquishing the Finance portfolio he had held for 13 years, in turn taking over Home Affairs from Mr Njono, who retained the Ministry of Constitutional Affairs.

Although both men appear to have lost ground in the reshuffle—an apparent rebuke from the President — most observers believe that Mr Njonjo was the winner: Mr Arthur Magugu, who moved into Mr Kibaki's Finance Ministry, is widely regarded as a Nonjo supporter.

The dispute—in British terms it might be seen as the Bow Group versus the Monday Club fighting for the soul of the Conservative Party—has been going on for some years. But it is a contest which could seriously damage the Kenyan body politic, if it came to a head over the office of vice-president of KANU.

The vice-president of the ruling party automatically becomes the vice-president of the country, and this would appear to be Mr Njonjo's ambition.

Both men are Kikuyus, members of different and rival clans. But perhaps the most important difference between the congenial Mr Kibaki, a London School of Economics graduate who was highly respected as Minister of Finance, and Mr Njonjo, the former Attorney General, and a tough—some say ruthless—lawyer by training, involves the character of KANU.

Aside from its failure to expose its officers to regular elections, it tends to use Tammany Hall tactics when by-elections come around. KANU has the power to veto Parliamentary candidates and few critics slip through that net. Those that do have to watch their step.

According to local politicians, Mr Kibaki believes that if Kenya is to be a *de facto* one party state—the constitution allows for Opposition parties—KANU should be capable of bringing a wide range of views into the fold. Mr Njonjo is said to be less amenable to those who do not toe a strict anti-Communist, mixed economy line, although KANU's constitution talks of the party being "founded upon the concept of African Socialism."

Where does this leave Mr Oginga Odinga, former vice-president, who in his stormy political career was detained for three years by President Kenyatta?

When Mr Moi began his rapprochement with the Luo, Mr Odinga, as their unofficial leader, played a key role. It was signalled by his appointment as chairman of the Cotton Marketing Board.

The next step was for Mr Odinga to re-enter Parliament, and a sympathetic MP stepped down. The Luo leader seemed set for an easy by-election victory when, in a speech at the coast last year, he described the late President Kenyatta as a "landgrabber." He was then barred from standing.

His supporters acknowledge that it was tactless, a serious mistake. But after a few months Mr Odinga again hit the headlines with an outspoken attack on Government. "Mass unemployment, low wages, soaring prices, shortages of food," he said last month, were caused not by high oil prices or the Western recession but by "corruption, misuse of our foreign exchange, importation of luxury goods, poor planning . . ."

Some of Mr Odinga's supporters advocate the formation of an Opposition Party. Another group believes they should work within the system. Given the powers at the Government's disposal, no other course is realistic, they argue.

Resolution of the debate within the "Opposition" may have to await the outcome of the dispute between Mr Kibaki and Mr Njonjo. If KANU elections are held and the former retains his post, Mr Odinga and his followers may conceivably return to the fold. If Mr Njonjo wins, this is out of the question—at least for Mr Odinga himself. If KANU elections are not held, the uncertainty in Kenyan politics will continue, ad politicians will give too little attention to pressing economic problems.

It should be noted that Kenya remains one of the more open, orderly and well-run countries in Africa. Foreign investors remain, on the whole, prepared to ride out the hard times.

There are no political detainees. Unlike the Kenyatta era, when Mzee—the old man—hovered above the political scene like a hawk about to swoop on chickens (a description he used himself), people are more forthcoming in their criticism.

In spite of President Moi's initial campaign against corruption, it remains pervasive. However, a recent drive to clean up the books of the co-operative movement, to which most of Kenya's peasant farmers belong, appears to have had considerable success.

It is sometimes said that Kenya is judged by higher standards than those applied to many other Third World countries. If that is so, it is because the Government itself has set those standards — whether in policy papers which so frankly appraise its economic problems, or in adhering to the independence constitution worked out at Lancaster House. Today, those standards are being put to the test.

CONTENTS

Economic growth cut by payments squeeze

THE CRUNCH has come. The economy of a country long regarded by the West as an African success story is now in the grip of a depression which includes exhausted foreign exchange reserves, substantial balance of payments deficits, *stagnant export crops for which* international prices are poor, soaring government borrowing, high inflation and a rising debt service ratio.

No one should be taken by surprise. In the sessional paper on the economy presented in Parliament in May 1980, the Government warned: "We must face squarely the fact *that the coming years, and* the next two years in particular, will be a time of austerity during which there will be slower growth of the economy, less employment creation, and more limited social services *than were envisaged in the* 1979-83 development plan."

The plan was based on a forecast of economic growth at an average annual rate of 6.3 per cent. Two constraints emerged, however: a foreign exchange shortage caused by a combination of adverse terms of trade, and a serious balance of payments deficit due to continuing increases in oil prices, an international recession combined with inflation, and an *unexpectedly high* level of defence spending.

The sessional paper reduced the estimated growth rate from the annual average of 6.3 per cent to 5.4 per cent. That has, in turn, proved optimistic. *Growth in 1981—for* which the revised target was 5.9 per cent —is estimated by the Ministry of Planning at between 3.5 and 4 per cent, an assessment regarded as too high by some observers. Growth for 1982—also 5.9 under the plan target —is put at "below 4 per cent."

Mr Arthur Magugu, who succeeded Mr Mwai Kibaki as Minister of Finance in last month's Cabinet reshuffle, has a formidable task ahead of him.

It seems that once again the planners will have to lower their sights. A new sessional paper *on the economy*, which had not been published when this survey was being written, is expected to deliver a further tough message.

Officials say that the theme will be management of the economy in a hostile economic environment. The balance of payments remains the greatest challenge and the paper will set out the Government's policy of containment. The secondary challenge is the control of government spending and the *more efficient use of resources.*

The paper may also remind Kenyans that their population increase of 4 per cent a year—one of the highest in the world —means that whatever measures are introduced now, the 17m *population is still likely to* double by the end of the century. This will place an enormous strain on Kenya's capacity to feed itself—80 per cent of the land falls into the arid or semi-arid categories—as well as on social services.

Easy options

Kenyans have already been told that the easy development options, which allowed GDP to grow in real terms at about 6.5 per cent from 1964 to 1973 and per capita incomes to rise about *30 per cent over the same* period, are over.

The subdivision of large farms, which both eased land hunger and raised agricultural output, is reaching an end, and the "Kenyanisation" of an expanding civil service—which provided jobs—is complete.

Industry, characterised by *import-substitution and government* protection, is now losing that protection and must export in the face of tough international competition.

Against this disturbing background then, what are the current indicators on the state of *the Kenyan economy? The latest* available come from the Ministry of Economic Planning's quarterly report with figures for the first nine months of last year and estimates for the full year.

The balance of trade deficit fell 9.4 per cent from K£299m in January-September 1980 to K£271m for the same period in 1981. The year-end forecast puts imports at K£930m (1980, K£960m), and exports at some K£558m *(1980 K£516m)*, reducing the trade deficit for the year by around 16 per cent, from K£443m in 1980 to K£372m last year.

The improvement was partly due to two devaluations of the Kenyan *shilling last year*—around 30 per cent against the dollar. It is also the result of import restrictions, including measures introduced in the Budget last June.

Nevertheless balance of payments continued to be "difficult" in 1981, says the report, and after taking into account invisible *current earnings there* remained a "substantial" overall deficit, "covered mainly by high level borrowings and drawings on the International Monetary Fund (IMF)."

Gross foreign reserves fell from K£133m in June 1981 to K£138m in October—the lowest holding since December 1976 *and barely two months import* cover. A K£52m Eurodollar loan (raised without difficulty last year, indicating that Kenya's international credit-worthiness remains high) helped raise reserves to K£159m by the end of the year.

There has been further fall, however, following heavy payments for oil and servicing earlier borrowing, and in early March Kenya's reserves were at a record year low of K£110m, under a month's import cover.

Meanwhile production of the *two main cash crops—tea and* coffee, accounting for more than 30 per cent of export earnings last year—is almost unchanged.

Export revenue for the two crops of K£170m last year was only 2 per cent up on 1980, although the coming coffee crop may show an increase. Prices for the two commodities are not encouraging and Kenya acknowledges *that the 1976 boom in* prices—tea and coffee exports in 1977 were worth K£276m—was a rare windfall.

Like all other countries Kenya has been hard hit by the increase in oil prices.

As *the 1981 Economic Survey* pointed out, the net cost of petroleum and its products to Kenya has risen from K£34m in 1976 to around K£116m in 1980, when it absorbed 36 per cent of the value of non-oil exports compared with *13 per cent in* 1976 and less than 1 per cent in 1973.

Perhaps the single most disquieting statistic in the report, however, deals with domestic credit. "While credit to the *private sector increased by 8 per* cent in 1981," notes the report, "credit to the Government accelerated by 76 per cent from K£167m at the end of 1980 to K£294m at the end of 1981."

Private sector lending by the *banks has all but dried up.* In the 1980 sessional paper there appeared the warning that "there are clearly defined limits to which budget deficits can be financed by reliance on domestic sources of credit without generating *uncontrollable* inflationary pressures."

Many observers believe that the Government is unable to control the overborrowing by various ministries and parastatals.

There are further items to add to the list of bad news, before noting the Government's *efforts to get to grips with the* problems.

Kenya's external debt service ratio has risen from around 3 per cent in the early 1970s to the current level of 18-19 per cent. Last year's Eurodollar loan will probably be the last for some time.

Inflation, remarkably low until 1973, moved rapidly into double figures and although *official estimates* put it at 13 per cent last year, it could well have been higher, and will certainly rise this year. Meanwhile corruption — such as purchase of import licences and kickbacks on contracts—is said *by businessmen to be pervasive.*

Surveying the scene, one senior official acknowledges the problems but declares: "We will reach the bottom of the trough this year, and pull out in 1983 and 1984." He and other officials give reasons for this cautious optimism:

Incentives

● The impact of measures to ease the balance of payments problem have not been fully realised. They cite devaluation, restrictions on imports and export incentives given in last year's budget.

● Coffee and tea should perform better in the two years ahead, increasing volume and getting better world prices.

● Agricultural performance in general should improve, provided the weather is good. The price increases announced by President Moi last December, to take effect from mid year, should see a response from growers. Seasonal credit facilities for growers is more efficient, as are marketing arrangements.

● Senior civil servants are ensuring that there will be greater discipline in Government *spending. The forthcoming* sessional paper will emphasise this.

● The foreign exchange position will be eased when negotiations with the World Bank and IMF are finalised. A *three-year World Bank structural* adjustment programme worth SDR 130m should be agreed next month. And sources outside the Government say that an IMF extended financing facility worth over SDR 100m will soon be concluded, with the first tranche possible in May.

● International oil prices appear to be stabilising, even falling.

● Under President Moi there have *been no more* white elephants—such as the K£65m ethanol project at Kisumu, approved under the late President Kenyatta.

● There will be no maize imports this year, and wheat will come as donor aid or on concessional terms.

To this list officials could add the continued high standing of Kenya among Western donors. Thus, when the former Finance Minister, Mr Mwai Kibaki, addressed the World Bank-chaired Paris conference last July he received a sympathetic response to his analysis. Kenya's external capital requirement over the next four to five years, he said, was around $5bn, most of which the Government hoped to raise in a series of bilateral negotiations with donors during that period.

Nevertheless, even among sympathetic Western donors, there is unease about the years ahead. Kenya has shown in the past that it can identify its problems but finds it difficult to implement the adjustments required—partly because there may be a political price to pay: sometimes because there are too few capable, middle-ranking officials to exercise control.

Although Kenya has most cordial relations with the IMF than many African countries the record of past facilities has been mixed. One study of the relationship points out that three agreements in the past have broken down.

A two-year programme which began in 1980 foundered when the Treasury was unable to keep within limits imposed on its bank borrowing—partly due to an unbudgeted 30 per cent increase in civil servants' salaries.

It was replaced by a 12-month SDR 151.5m standby arrangement approved in January, but the study suggests that there was a "probability" that there would again be difficulties in keeping within the ceiling on Government bank borrowing.

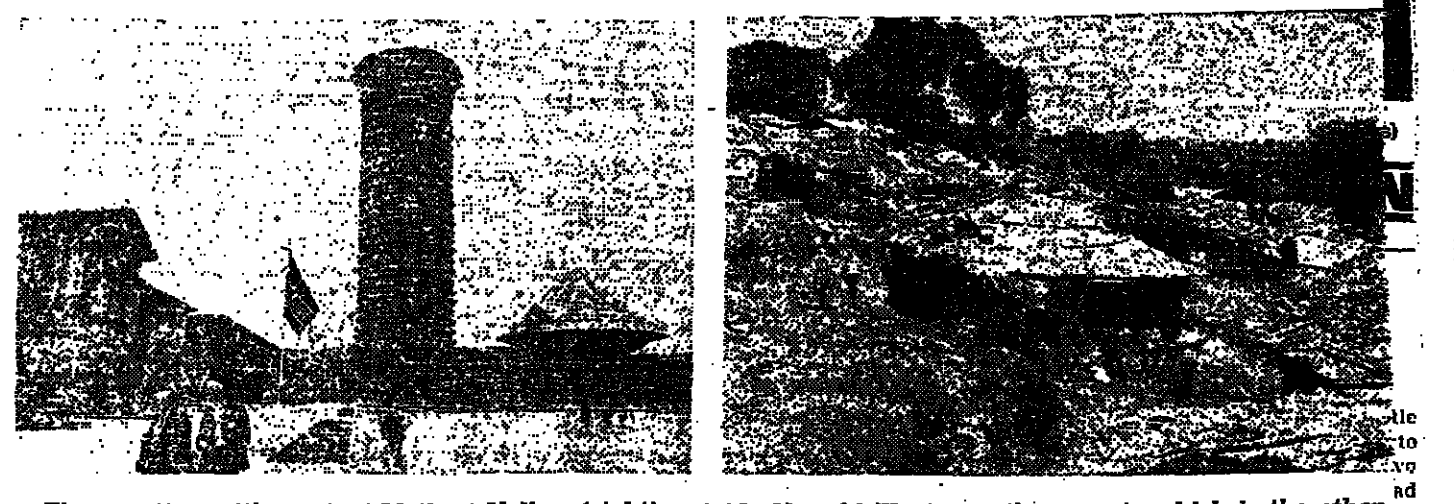
Noting this, and other difficulties, one donor economist commented: "Kenya has lost all its economic cushions—the margin of flexibility is reduced to nil." For a country so vulnerable to the weather and international commodity prices, that is a disquieting analysis.

M.H.

BALANCE OF PAYMENTS
(shillings m)

	1976	1977	1978	1979	1980
Current account:					
Exports	6,224	9,360	7,388	7,606	9,220
Imports	8,158	10,586	14,498	13,300	19,536
(Balance of trade	−1,934	−1,226	−7,110	−5,694	−10,316)
Invisibles	1,236	1,454	2,004	2,128	3,660
Current account balance	−698	228	−5,106	−3,566	−6,656
Capital account:					
Long-term	1,274	1,678	3,360	3,620	4,300
Short-term	146	370	136	1,398	934
Capital account balance	1,420	2,048	3,496	5,018	5,234
Errors and omissions	−12	−23	58	−40	−22
Overall balance	710	2,253	−1,552	1,412	−1,444

Source: Central Bank of Kenya.



The squatter settlement of Mathari Valley (right) outside Nairobi illustrates the poverty which is the other face of the attractive capital—(left) the Kenyatta conference centre

EXPORTS AND IMPORTS
(shillings m)

IMPORTS	1976	1977	1978	1979	1980
Category:					
Food and live animals	288.9	259.8	428.1	302.7	949.7
Beverages and tobacco	116.5	77.3	149.6	156.6	76.9
Crude materials	223.1	334.6	283.9	251.2	308.1
Mineral fuels	2,092.9	2,361.9	2,378.4	2,950.3	6,502.8
Animal and veg. oils and fats	224.4	277.6	322.3	316.5	451.6
Chemicals	890.4	1,273.1	1,384.4	1,440.9	2,035.9
Manufact'd goods	1,464.9	1,841.5	2,218.2	2,026.5	2,598.7
Machinery and transpt. equipmt.	2,326.3	3,602.9	5,346.4	4,241.8	5,491.3
Misc. manufcturs.	493.6	584.1	672.0	674.9	876.1
Other	18.8	12.9	39.8	24.6	110.5
TOTAL	8,139.9	10,625.7	13,223.1	12,388.9	19,180.6

EXPORTS	1976	1977	1978	1979	1980
Unroasted coffee	1,866.1	4,087.6	2,495.3	2,213.9	2,163.7
Tea	635.3	1,435.6	1,263.9	1,256.9	1,160.1
Petroleum prods.	1,379.3	1,533.1	1,368.4	1,559.8	3,354.1
Sisal	83.8	78.8	78.4	95.8	176.5
Meat	167.7	151.9	54.2	53.8	31.7
Pyrethrum	114.5	123.6	81.7	110.1	180.6
Maize	112.9	13.2	14.3	106.5	0.1
Fruit and veg.	314.8	457.9	402.7	430.5	504.6
Cement	161.4	171.3	180.1	166.9	203.1
Hides and skins	171.2	160.5	196.4	275.4	191.0
Soda ash	60.7	53.7	73.7	102.0	60.9
Other	1,305.5	1,193.6	1,173.6	1,352.4	1,826.6
Total	6,373.2	9,460.9	7,402.8	7,723.9	9,752.9

Source: Central Bank of Kenya.

Slim prospects for food self-sufficiency

IT IS couched tactfully, but nevertheless a grim warning comes across. If Kenya is to reach self sufficiency in maize—a staple food—by 1989, "production capacity will need to expand by *at least* 4.9 per cent a year and probably at a rate considerably in excess of this. Rates of growth of this magnitude have, in the past, only been achieved in Kenya during the brief period of rapid *adoption of hybrid maize.*"

The warning comes from the Government's sessional paper on national food policy published last year. And in case the warning is overlooked, the paper concludes its assessment of targets for *overall food* production — wheat, sorghum, millet, rice, beans, potatoes, sugar, beef, milk as well as maize—with the comment: "Few countries have been able to sustain such growth in food production and the need to do so presents Kenya with a formidable challenge."

The official view is that formidable though the challenge may be Kenya will meet it. In private, however, officials express concern, while the assessment of agricultural economists and some of the Western donors is that the targets will not be met and Kenya will have to live with a gap between domestic production and domestic needs, to be filled by imports.

Estimates vary slightly, but in 1981 Kenya imported some 350,000 tonnes of maize and 155,000 tonnes of wheat at a mix of concessional and commercial rates costing around £200m.

The maize shortfall was due in part to poor weather and inadequate domestic prices. An improvement in both weather and prices brought about a substantial recovery. The latest *official figures show maize* deliveries to the produce board more than doubling, from 218,000 tonnes in 1980 to 473,000 tonnes last year.

Wheat deliveries, however, fell 13 per cent below 1980 levels, from 216,000 tonnes to 188,000. The drop was blamed on poor weather and the subdivision of some large wheat farms into *predominantly* maize —producing subsistence plots.

The prospect for 1982, then, is that there will be no imports of maize, but about 140,000 tonnes of wheat will be needed, of which all but 30,000 tonnes will come from donors—and even that may yet be secured on grant or concessional terms.

In response to the substantial maize price increase of some 40 per cent (partly compensating *for the 30 per cent* devaluation of the shilling against the U.S. dollar in 1981), effective from July, the coming crop could well see a surplus over domestic needs.

Despite the recovery of maize there remains considerable concern about food production:

● *The weather contributes to a* cyclic pattern of agricultural production in which a couple of good seasons may be followed by three or four years of bad to indifferent weather — and Kenyan farmers are at present anxiously awaiting the start of the rains.

● "The history of Kenyan farming, even back to the settler days," says one agricultural economist, "is that nothing goes completely right in any given year—credit problems, late deliveries of fertiliser, army worm, drought, *lack of storage, wrong prices.* If one allows for a combination of natural disaster and management problems there is no prospect of sustained self sufficiency."

● Agriculture has passed from what the former Minister of Finance, Mr Mwai Kibaki, called "soft options" to "hard options." The impressive growth rate in the decade after independence—5.8 per cent a year between 1964 and 1972—was achieved through an increase is smallholder production as former white-owned farms were subdivided. There was also the one-off benefit from the introduction of hybrid maize. Growth was only 2 per cent a year between 1972 and 1978, while drought contributed to a decline of 0.8 per cent in *1979* and 1.3 per cent in 1980.

Although the good weather and higher prices saw total *agricultural output increase in* volume by an estimated 5 per cent last year, according to the quarterly review, recorded marketed production of all crops increased in volume by less than 1 per cent.

● *About 80 per cent of Kenya's* land is arid or semi-arid. Soil erosion on arable land has increased and the population is rising rapidly, at 4 per cent a year, which will double the current 17m Kenyans by *the* end of the century. By then there will be less than 0.2 hectares of high potential land per head, having fallen from 0.75 hectares in 1965.

In Central Province, for *example, all but 7 per cent of* high- and medium-potential land is being cropped says the sessional paper: "The remaining land already supports livestock populations which are too large to be sustained efficiently from the grazing available."

The "hard" agricultural option includes more intense cultivation of land, increased yields on the better land, and costly and difficult exploitation of semi-arid land.

● *The food policy* paper's call for a 360,000 tonnes strategic reserve presents difficulties: it must come from domestic surpluses because imported maize would be too expensive. Yet the Government will find it hard to support domestic funding given the prospect of continued spending cuts.

● Missing from the food paper is any proposal on land tenures: this involves rationalising the *land tenure system, increasing* the rate of land adjudication (ownership is a critical factor *in agricultural credit), setting* minimum viable land holdings, ending land speculation, setting a ceiling on land ownership, and taxing absentee landlords. The Government has been slow to move on these politically *sensitive issues, however.*

If food prospects appear gloomy, cash crops look somewhat more encouraging. The two main export crops, tea and coffee, continue to be the critical foreign exchange earners accounting for about a third of receipts in 1980.

Although output has held *steady however, there have* been mixed results in the international markets. In 1981, 91,000 tonnes of coffees were delivered to the Board, a little under the previous year. But the drop in world prices saw producers' *gross income drop* 14 per cent from K£119m in 1980 to K£103m last year, according to the Ministry of Economic Planning's quarterly review.

Further, following the introduction of quotas in September *1980*, under the International Coffee Organisation agreement, Kenyan stocks have been building up, and one unofficial local estimate anticipates stocks reaching the equivalent of one year's production by the end *of* 1982.

Tea deliveries in 1981 rose slightly from 90,000 tonnes in 1980 to 91,000 tonnes. Kenya has overtaken India as Britain's largest supplier of the crop. The value of tea exports rose slightly *from K£58m in 1980 to K£60m* last year.

The history of the Kenya Tea Development Authority (KTDA) is an extraordinary success story —"a rare example of a successful agricultural parastatal," notes one *development official.* Since its establishment in 1964 KTDA has overseen an expansion from 8,600 acres that year to 132,000 acres farmed by 138,000 smallholders producing one of the world's best quality teas. KTDA now accounts for over a third of the national crop.

Unhappily, the prospects for higher world prices look poor, *and the producer countries have* been unable to agree on a joint strategy to push them up.

M.H.

AGRICULTURAL PRODUCTION TARGETS
(Required rates of growth to achieve self-sufficiency in main foodstuffs)

CROP	Estimated production 1980	Estimated domestic requirement 1983	Estimated domestic requirement 1989	Annual production growth rate required for self-sufficiency 1980-83	Annual production growth rate required for self-sufficiency 1980-89
	('000 tons)			(per cent)	
Maize*	1,942	2,777	3,514	12.7	6.8
Wheat flour	142	292	493	27.2	14.8
Sorghum/millet	369	445	563	6.4	4.8
Rice	23	66	90	42.1	16.4
Beans	140	253	344	21.8	10.5
Potatoes	450	655	828	13.3	7.0
Beef	147	188	314	8.5	8.8
Milk	1,259	1,615	2,058	8.7	5.6

* Maize production figure for 1980 is an average of 1976 and 1980.

Source: Sessional Paper No. 4, 1981, National Food Policy.

President Moi is finding himself in an invidious position as Chairman of the OAU

Sensitive issues come under a spotlight

PRESIDENT MOI's role as Chairman of the Organisation of African Unity (OAU) has given Kenya its highest profile in foreign affairs since independence in 1963.

But while OAU issues, and relations with neighbours, understandably dominate foreign policy, Kenya is adding its voice to the debate on international economic problems and their effect on Africa.

If Kenya was ever smug about the predicament of some of its neighbours, sheltering behind the coffee boom of the mid-1970s and the aid benefits accruing to one of the West's protéges in Africa, it is no longer. The economy is in serious difficulties and spokesmen for this avowedly anti-communist country with a mixed economy are beginning to make much the same points in the North-South debate as, for example, socialist Tanzania.

Thus: "Developing countries do not determine the prices of their commodities. They learn about such prices by reading market price reports from the Press of the developed countries. Those prices do not take into account the costs of production in developing countries. . . . On the other hand, prices of tractors, lorries, fertilisers, etc, are fixed by the transnational corporations of the developed countries which produce them. . . . This differential in the prices of raw materials on the one hand, and of finished goods on the other, causes grave difficulties to developing countries."

The speaker is not Mr Oginga Odinga, publicly rebuked by President Moi for expressing broadly similar sentiments. Nor is it Tanzania's Dr Julius Nyerere, though he has been saying much the same thing for years. It is Dr Robert Ouko, Foreign Minister of Kenya, in a speech last month marking the anniversary of the death of Tom Mboya, one of the country's outstanding politicians.

Africa, says Dr Ouko, is still largely viewed as "a supplier of raw materials and cheap labour."

Sigh of relief

These are not the issues which grab the headlines, however. Two subjects have preoccupied Dr Ouko and President Moi, who became OAU chairman after hosting the July summit last year: Chad and Western Sahara. And when President Moi hands over his responsibilities to the Libyan leader, Col. Muammar Gaddafi, in August he may well give a private sigh of relief.

He will have presided over the 50-member organisation during one of the most difficult years in its history. The contentious issues of Chad and Western Sahara have overshadowed the two other subjects on which the OAU reaches comfortable unanimity: Namibia and South Africa.

In the case of Chad, the Organisation's decision to play a peace-keeping role ran into early problems. Member states contributed only half the 6,500-strong force proposed and the U.S.$160m estimated annual cost of the assistance from France and the United States.

The difficulties were a factor in forcing the OAU to draw up, at a meeting in Nairobi earlier this year, a timetable for a ceasefire in Chad's civil war and a negotiated constitution and elections by June 30, which looked unrealistic even at the time, and are now certainly in jeopardy.

In the case of Western Sahara the OAU proposal that the dispute be settled by referendum was undermined last month when a majority of OAU members meeting at ministerial level voted to recognise Polisario, the guerrilla organisation seeking independence for the territory.

Nineteen members walked out in protest in what is the most serious division in the OAU since it split in 1976 over support for MPLA and UNITA, rival guerrilla forces in Angola.

The admission of Polisario, said Dr Ouko in an interview with the Financial Times, "led to a lot of confusion." But, he went on, "no action by the Council of Ministers or the Secretary General (Mr Eden Kodjo) can halt the work of the committee established by the heads of state last July." Work on implementation of the referendum proposal will continue, he says.

As for Chad, "we will press ahead with seeking agreement on a constitution under which elections can be held." But he acknowledges that the two issues are a considerable challenge: "I fear that the OAU does face a crisis, which poses a threat to the unity of the organisation."

Yet despite the trials, the Organisation survives.

"Keeping it together at all in the face of these difficulties," says Dr Ouko, "is an achievement by itself," owing much to President Moi's "cool head and great wisdom."

Talking shop

The President has been in an invidious position. Had the OAU under his chairmanship confined itself to platitudes and expressions of concern, the Organisation would have been open to charges — made in the past — that it is little more than a talking shop.

No one, least of all President Moi and Dr Ouko, underestimated the hurdles presented by Chad and Western Sahara. If current efforts fail, at least the President, who has devoted a considerable amount of his time to OAU affairs, can say that an attempt was made — but he will be reminded of his own words when the Chad force was first set up. It will, he said, "be a test of the OAU credibility." It is a test which is in danger of failing.

On Namibia, Dr Ouko believes that despite what he calls "painfully slow progress" towards a settlement, "there is some movement forward in which President Moi has played a significant role." The British Foreign Secretary, Lord Carrington, briefed Mr Moi during his visit to Kenya earlier this month and British officials feel that Kenya is now less critical of the Western settlement proposals.

Reviewing regional links, Dr Ouko describes contacts with Uganda and Sudan as good, but there is no sign of an improvement in relations with Tanzania — which recently gave political asylum to a backbench Kenyan MP. The border, closed in 1977, is unlikely to reopen before the three members (Kenya, Tanzania and Uganda) of the defunct East Africa Community have agreed on the allocation of the Community's assets and liabilities.

A further meeting is due soon to discuss the report on the subject by Dr Viktor Umbricht, the World Bank-appointed mediator. But the sharp political differences (despite growing mutual concern about international economic conditions) between the two countries, and the latter's concern about the impact of Kenyan goods on Tanzanian industry should the border reopen, will also have to be resolved.

Yet a common enemy can override political differences, as the cordial relations with the Marxist government of Ethiopia shows. Both governments — who have exchanged state visits — remain concerned about the territorial ambitions of Somalia. Although both President Moi and President Siad Barre of Somalia have stated their desire to improve relations, the rapprochement has yet to be tested.

President Renée of the Seychelles continues to accuse senior Kenyan officials of complicity in last year's unsuccessful coup attempt against his government by South African mercenaries. Dr Ouko repeats the denial his government issued at the time: "The Kenya government is not involved, and at no time was it involved."

South Africa does surface in another capacity, however. President Moi's fellow heads of state have tactfully refrained from raising two issues which are seldom publicly discussed in Kenya: the daily air links between Nairobi's Kenyatta International airport and South Africa, and a 1980 agreement allowing the United States access to Kenyan port and airport facilities.

For International Airlines (Kenya Airways itself does not fly the route) the Nairobi-Johannesburg leg is an invaluable facility on a continent in which only a handful of countries permit air links with the Republic. The traffic helps Kenya, too, by increasing its convenience as a tourist centre and contributing millions of Kenyan pounds a year from landing fees and the sale of aviation fuel.

Kenya nevertheless fervently condemns apartheid. Dr Ouko last month declared: "South African freedom fighters within and outside the country must be supported and encouraged to maintain and even intensify the tempo of the armed struggle. . . countries which by deliberate policy or through dithering, indifference support the evil system of apartheid. . . through investment, trade or military franchise should cease to do so."

Condemnation

The U.S.'s role in Kenya is as sensitive as any suggestion that such condemnation of Pretoria may be incompatible with the flourishing air links.

The hackles of both U.S. and Kenyan officials rise if one refers to "bases" rather than "access to Kenyan facilities." U.S. officials maintain that the U.S.$50m programme at the Indian Ocean port of Mombasa is primarily in the interests of American seamen seeking recreation after tedious weeks at sea policing the Indian Ocean.

The harbour is being widened and deepened so that aircraft carriers can dock instead of anchoring at sea and subjecting shore-bound sailors to the discomfort of liberty boats. Last year there were 40 ship visits.

Work is also under way on a second runway at Moi International airport, Mombasa, which will improve handling facilities for the huge C141 aircraft bringing in supplies.

Equally discreet about their role is the British Government, which uses Kenyan terrain and barracks for training. Up to 700 men, including SAS units, can be in Kenya at any one time.

M.H.

Guidelines on how to invest in Kenya

Investors in Kenya often find themselves baffled and harassed by the maze of government channels that have to be followed before they can start a business.

All new investments and expansions must be approved by the New Projects Committee which falls under the Ministry of Industry but also has representatives from the Ministries of Finance, Planning, Agriculture, Water Development, Commerce (for export), the Office of the President (for land allocation) and Kenya Industrial Estates.

The Industrial and Commercial Development Corporation, the Development Finance Company of Kenya and the Industrial Development Bank — government development bodies which often participate as shareholders or lenders in larger projects—also sit on the committee.

Projects of K£5m and over must also be approved by an economic subcommittee in the Cabinet. Approval can take from six months to a year or even longer, depending on the size and complexity of the project and the terms that are requested by the investor.

The process is hastened if a sound, comprehensive feasibility study is submitted and a company representative is on hand to answer questions. Submissions are scrutinised for job creation, cost feasibility, return on investment, realistic market share and the local equity component.

The type of capital equipment is another crucial issue as the Kenyans are wary of over-invoicing of inferior machinery. Past instances of dumping means that second-hand machinery is almost never allowed. Preference is given to businesses with Kenya-African participation (although this is not a requirement), or that are based outside the Nairobi-Mombasa industrial complex, and to export ventures.

The New Projects Committee approves machinery imports but concessions, work permits and exchange control approval must be obtained individually.

Sales tax rebates on machinery, which must be negotiated, are obtained through the Ministry of Finance. Duty drawbacks and protective tariffs, if agreed upon, are applied for through the Industrial Protection Committee.

Exchange control is handled by the Central Bank while work permits, which are required for all non-Kenyans, are granted by the Department of Immigration once they are satisfied the job requires an aptitude not available in Kenya.

Tourist industry hopes for an end to world recession

THERE IS growing pessimism at present among the men and women who run Kenya's tourist industry: the hotel-keepers, the tour operators, the hotel and lodge suppliers, the tourist shops and curio emporiums.

Tourism has for years been Kenya's growth industry, bringing in upwards of K£50m a year in foreign exchange. Although doom is by no means in sight, there is a lot of gloom as world recession has taken its toll. There are also other factors at work.

Figures just released by the Government indicate a marginal slide, a reversal of the traditionally upwards trend. They show that from January to October 1981 (in the delightful jargon of the tourist trade), a total of 3,869,000 bednights were occupied, compared with 3,875,000 in the same period in 1980: a fall of 0.4 per cent.

The trade in Kenya is eternally optimistic, however, and several grand new hotels have been built, especially along the coast. Last year hotel capacity increased from 6,912,000 bednights to 7,076,000 bednights, or by 2.3 per cent. Sadly there just were not enough tourists to fill them all.

Visitors from Europe continue to be the hotels' main customers, mostly Germans, Swiss, Austrians, French, Italians and British, though many Britons prefer to spend their nights at up-country lodges. Tourists from North America, Scandinavia and Asia have declined in numbers, but this has been partially offset by increasing numbers of tourists from other African countries, especially expatriates from Zimbabwe and Zambia.

Some upmarket tour operators claim that well-heeled American tourists are coming back, paying anything up to U.S.$5,000 for a luxury photographic safari (carpeted tents, champagne and uniformed waiters) among the wild animals of the Kenyan bush. Many of these would once have been hunters, but Kenya's Government banned hunting some years ago.

It is the delights of the Kenyan coast, the sun, the fine, wide unpolluted beaches, and the excellent hotels which have always drawn the majority of tourists to Kenya, however. Many Germans come back again and again, for example, to hotels where menus are printed in German, waiters know the correct German phrases and, up the coast at Malindi, most of the shop signs are painted in German.

The coast is the hub of the industry, and a great deal of German and Swiss investment has been poured into many beach hotels north and south of Mombasa.

The Severin group has built three hotels adjacent to each other at Bamburi Beach: with three different price brackets one for each sector of the market. All are served by a common grillroom, disco and casino, but each has its own swimming pool. Reports say this trio is well able to ride out the current market vicissitudes.

Three new hotels have also opened up at Diani Beach, south of Mombasa. They were begun when prospects looked good.

It was the "high season," beginning just before Christmas and the New Year and ending in March and April, which set the warning light flashing along the beaches from Diani to Malindi. Almost every hotel had beds on offer for Christmas, an unheard of event, and there were reports of 30 per cent vacancies in February.

It is difficult to predict tourist levels in the low season, May to August, though many hotels are trying to recoup possible losses with special discounted rates for Kenyan residents during that period.

The industry was dealt a serious blow when certain charter companies, among them British Sovereign tours, were denied rights to carry passengers to Mombasa, using the recently upgraded Moi airport. No less than four charter companies are waiting for decisions on licences from the Civil Aviation Board. One charter company cancelled its plans. The travel trade considers that a minimum of 15 months is needed to market package tours, and they must have assurances on continuity.

The Ministry of Tourism welcomes what is calls "up market" flights. It defends the moves taken as "motivated in the desire to protect Kenya Airways and by the need to optimise the nation's share of the benefits accruing from air transport operations."

The Ministry does not favour the lower end of the market using luxury hotels on full board. The Government view is that "this type of tourist does not benefit the country and it could be claimed that Kenya is subsidising the stay of such holidaymakers."

It seems that the limitations placed on direct charters from Britain and Europe are a major cause of the depressed market in Kenya, and the Kenya Association of Tour Operators says the whole situation has been worsened by lack of contact between them and the Ministry.

Tourists these days are not easy to come by. The world recession has caused the traditional sources of tourists to shrink, and long-haul destinations have been badly hit by the rising costs of air fares due to high fuel prices. There is also criticism of poor marketing by Kenya in Britain and Europe.

The recent Kenya economic report refers briefly and blandly to "problems in the licensing of charters." It looks as though these problems will have to be resolved soon or there is likely to be another downturn in tourist levels next year, which most hotels and the trade generally can ill afford.

Tourist industry operators at the coast believe that a busy charter traffic is the only chance for Kenyan tourism to regain its former healthy state. Whether the authorities take this point is a matter of the utmost importance to the thousands involved in the industry.

John Worrall

Malindi beach, up the coast from Mombasa, is a popular resort for German tourists. European visitors continue to be the main customers but the drop in tourists from North America and Asia has been partly offset by increasing numbers from other African countries

Chillier winds for foreign investors

IN JANUARY 1978, Mr Mwai Kibaki, Minister for Finance for 13 years until the February Cabinet reshuffle, set out what came to be known as Kenya's hard options. At the time the country was sailing on the crest of the coffee boom but Mr Kibaki and Kenya's other top leaders had the foresight to assess the temporary nature of those palmy days of spending and to consider the structural adjustments needed to preserve Kenya's reputation as an economic showpiece.

The essence of Mr Kibaki's message was clear. Investment in Kenya had become too concentrated in inefficient import substitution industries sheltering behind tariff barriers and import restrictions. Structural adjustment meant building an export-orientated and competitive industrial sector, with greater Kenyan ownership and the encouragement of agricultural development and agro-industries at the expense of urban infrastructure.

The results to date have been slow to materialise. A severe shortage of domestic capital combined with the Kenyan inclination towards lucrative property deals and large cars has blunted local interest in fixed capital investment.

At the same time foreign investors have had to reassess the efficiency of their operations since the Government retracted the generous protection that once existed in the form of monopolies, bans on competitive imported goods and concessions on sales tax and customs duty on inputs. This, combined with the depressed state of the economy, is scaring off new investors from abroad who might have filled the gap left by Kenyan entrepreneurs.

"Most companies which have fixed investment here are sticking very firmly with it (often because disinvestment is a costly and bothersome procedure) but new investment from outside is not going ahead so fast. In fact there is precious little of it," says an economic analyst.

Investment levels have remained more or less static since 1977. The last major investment in the country was in 1977 when General Motors (GM) started production of heavy duty vehicles on a share capital of 28.5m shillings (£1.5m). Only 49 per cent of equity belongs to GM. The balance is owned by the Industrial and Commercial Development Corporation, a Government development bank, so GM does not bear the full risk should anything go wrong.

Entrepreneurs

Neither investment levels nor an ownership profile of industry in Kenya have ever been collated but it is generally thought that foreign ownership accounts for about half of all investment. The balance is held by state development banks and Kenyan citizens — both Europeans and Asians—and a growing number of small Kenyan African entrepreneurs.

The number of big Kenyan industrialists could fit comfortably around a dinner table. Britain is still the biggest foreign investor because of historical precedence. British investment is estimated at some $500m, followed by investment of some $315m, while West Germany has invested DM 96m. DM 61m of this is channelled through Deg, that country's equivalent of the Commonwealth Development Corporation. Other important foreign investors come from Switzerland, France, Italy and India. The Japanese prefer to trade and their exposure in the country is low.

The present period of recession is emerging as a critical moment for evaluating attitudes towards foreign investors. During the 1970s growth of industrial output averaged just over 10 per cent. In that time the manufacturing base grew apace so that today it accounts for about 15 per cent of Gross Domestic Product (GDP). But last year output increased by only about 5 per cent, on a par with performance for 1980. This is worryingly below the 9 per cent growth stipulated in the current five-year development plan.

At a Paris donor's conference in July, Mr Kibaki said that Kenya needs $5bn of external capital just to meet some of the development plan targets. A good half of this will be met by grants and concessionary loans but the balance will have to be found either through private investment, commercial loans or suppliers' credits.

In direct conflict with the critical need for foreign investment is the endemic suspicion among bureaucrats of the multinationals' objectives and methods. In everday life this is translated into what businessmen perceive as harassment and lack of communication.

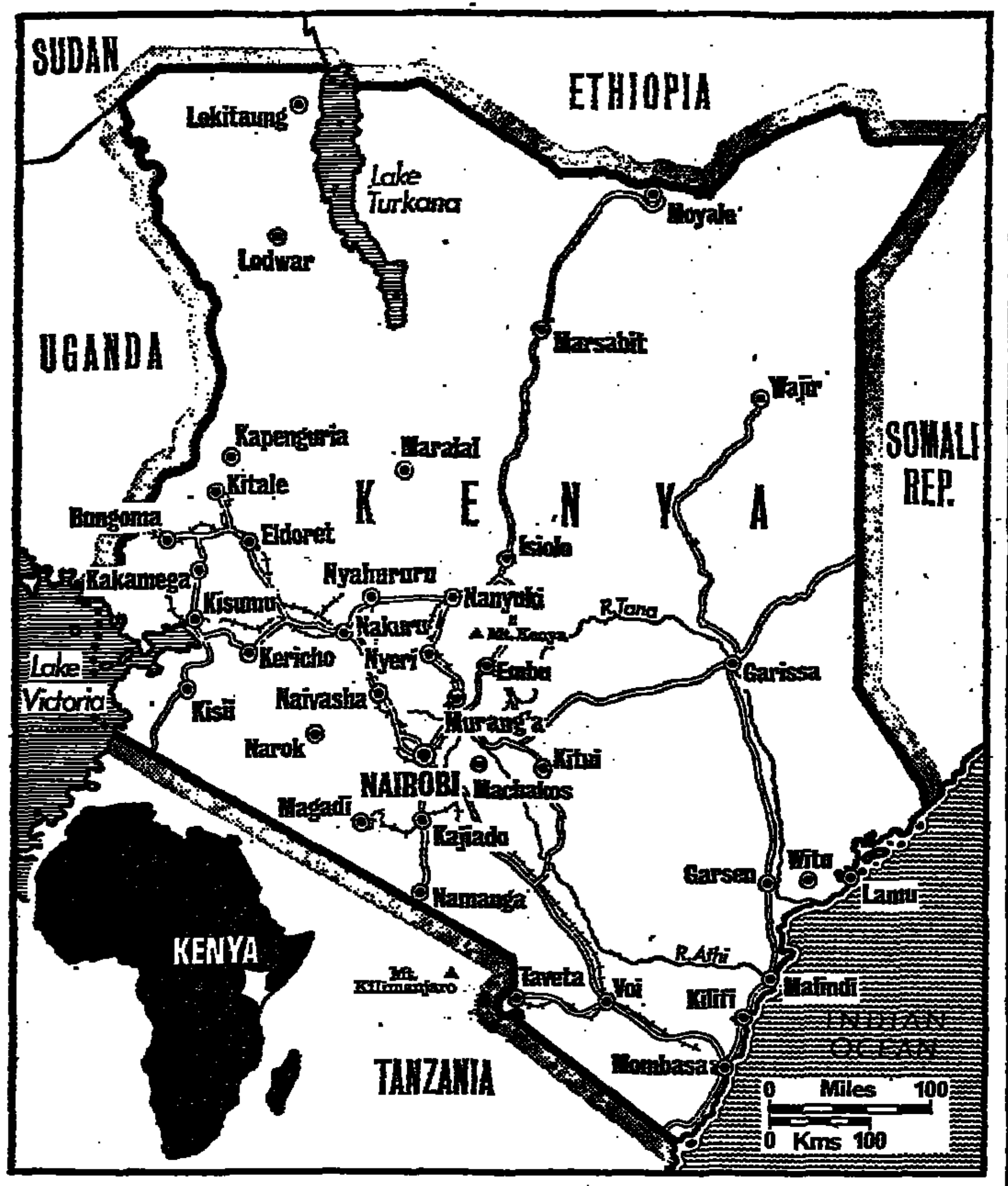
Holding back

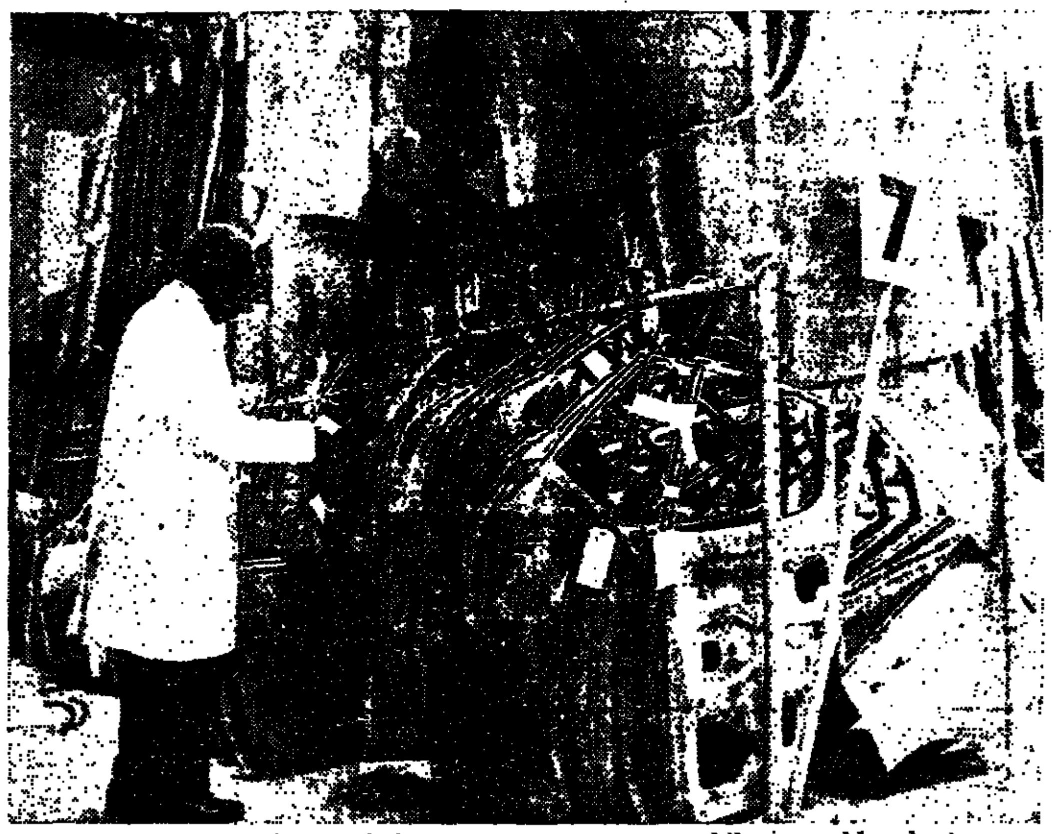
The Firestone tyre group provides an example. Firestone had been holding back retained earnings with a view to building a Sh 150m expansion to its tyre plant, even though its 10-year monopoly agreement expired in October 1979.

When the Government invited a second tyre manufacturer to invest Firestone decided to remit the money back to the U.S. Free remittance of profits is guaranteed under the Foreign Investment Protection Act but Firestone was refused exchange control approval. Firestone filed a claim to OPIC, for the sequestered Sh59m. The problem was finally resolved but Kenya's image has been tarnished.

Other businessmen report instances of haggling over the transfer of technical service or managment fees. One company had its management fee cheque bounce. An embarrassed central bank quickly rectified the situation. Nor can investors, potential or established, be blamed for succumbing to passing moments of insecurity or confusion.

When Mr Walter Scheel, chairman of DEG, did a promotion trip to Kenya in February the Kenyans gave him a shopping list of new enterprises they would like supported. One was an ethanol plant—although the country already has two about to come onstream. Another was a PVC plant—although it has already been agreed with an Indian company that it will invest in one.




Motor vehicle knocked down parts in an automobile assembly plant

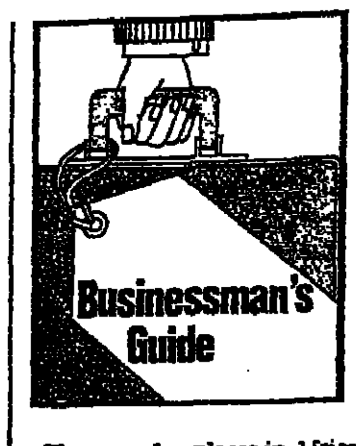
Nevertheless, there is virtually no backlog in the remittance of profits. While import licences are subject to sporadic clampdowns governed by foreign reserve levels, foreign exchange approval for raw materials and spare parts currently takes only one month.

The Kenyans realise they cannot implement their objectives without treading on a few toes, but the long-term goals are considered worth it. At the instigation of the World Bank the Government is taking its first step towards becoming a fully fledged trading nation by trying to raise manufactured goods to a standard that is competitive in the global marketplace. "That is why we are discouraging monopoly situations," explained an official in the Ministry of Industry, "when an industrial sector is being established we have to offer protection, but it can't last for ever." That is why pragmatic officials, who have acquired a modicum of muscle when it comes to negotiations, are being less accommodating.

Firestone, for instance, enjoyed tax concessions on imported raw materials and capital goods. Britain's Dunlop, which is currently negotiating for the second tyre plant, is unlikely to get these concessions. One reason is that the Kenyans feel that too much protection makes manufacturers unable to compete on the world market.

Economists also point out that foreign content is a high 45 per cent, signalling a drain on foreign exchange. There are no legal requirements for local content so manufacturers tend to look abroad for raw materials.

Mary Anne Fitzgerald



There are few places in Africa more comfortable than Kenya and its capital, Nairobi with its international class hotels, good restaurants, a pleasant climate and the coast or game parks within easy reach for a weekend off. The following guide might, however, make life even easier. Telephone numbers are all for Nairobi.

MAIN MINISTERS AND PERMANENT SECRETARIES

Office of the President. Tel: 27411. Chief Secretary and Head of the Civil Service, Mr Jeremiah Kiereini. Permanent Secretary, Development Co-ordination and Cabinet Office: Mr S. Nyachae.
Vice-President and Minister of Home Affairs: Mr Mwai Kibaki. Tel: 28411. Permanent Secretary: Mr D. Mwiraria.
Minister for Constitutional Affairs: Mr Charles Njonjo. Permanent Secretary: Mr J. K. Ndoto.
Minister for Finance: Mr Arthur Magugu. Tel: 338111. Permanent Secretary: Mr Harris Mule. Financial Secretary: Mr J. Karuga.
Minister for Economic Planning and Development: Mr Z. Onyonka. Tel: 338111. Permanent Secretary: Mr F. Y. O. Masakhalia.
Minister of Agriculture: Mr M. Walyaki. Tel: 120030. Permanent Secretary: Mr F. M. Njuguna.
Minister of Foreign Affairs: Mr Robert Ouko. Tel: 334433. Permanent Secretary: Mr J. G. Shamalla.
Minister of Commerce: Mr J. H. Okwanyo. Tel: 28411. Permanent Secretary: Mr J. A. Kipsanai.
Minister of Tourism: Mr E. Mwangale. Tel: 331030. Permanent Secretary: Mr A. W. Mbogho.
Minister of Industry: Mr A. J. Omanga. Tel: 24261. Permanent Secretary: Mr J. W. Githuku.
Minister of Transport and Communications: Mr H. K. Kosgey. Tel: 26441. Permanent Secretary: Mr S. J. Mbogua.
Minister of Local Government: SS ole Oloitiptip. Tel: 32411. Permanent Secretary: Mr I. M. Kabetu.

BIBLIOGRAPHY

The Kenyan Government's publication on the country's economy are frank and well written. Obtainable from the Government printer are:
● Kenya Economic Survey, 1981
● Fourth Development Plan, 1979-83
● Sessional Papers (White Papers) on the economy (1980) and food policy (1981)
The Central Bank published an annual report and quarterly reviews.
Professor Tony Killick has edited "Papers on the Kenyan Economy" published in 1981 by Heinemann.
"Underdevelopment in Kenya;" Colin Leys, Heinemann, 1975.
"Kenya: into the second decade:" IBRD (World Bank), John Hopkins University Press, 1975.
"Petals of Blood:" Ngugi wa Thiongo, Heinemann. A novel on modern Kenya by the country's leading writer.
For eating out: Kathy Eldon's "Guide to Restaurants in Kenya:" Kenway, Nairobi.
The two English daily papers published in Nairobi are The Standard and The Daily Nation. The Weekly Review, edited by Hilary Ngweno, provides invaluable coverage of political and economic events in Kenya and elsewhere.

EMBASSIES

British High Commission. Tel: 335944.
Canada. Tel: 334033.
France. Tel: 28373.
Ireland. Tel. 26771-4.
Japan. Tel: 332955.
Netherlands. Tel: 27111.
Nigeria. Tel: 28321/24681.
Sweden. Tel: 29042-5.
United States. Tel: 334141/334150.
USSR. Tel: 20233.
West Germany. Tel: 26661/26662-3.

EXCHANGE RATE

£1=K£0.956
$1=K£0.535
K£1=Kshillings 20

CURRENCY

Visitors must complete a currency declaration on arrival. Retain your exchange receipts: Kenyatta International airport will change Kenyan notes back into major currencies when the form and receipts are produced.

HOTELS

Intercontinental. Telex 22631; tel 335550.
Hilton. Telex 22252; tel 334000.
Norfolk. Telex 22559; tel 335422.
Serena. Telex 22377; tel 337978.
New Stanley. Telex 22223; tel 333233.

HEALTH

Tap water is safe. Visitors should have cholera and yellow fever vaccination certificates. If you intend travelling far from the main towns, temporary membership of the Flying Doctor service is 25 Kenyan shillings. In return it provides free airlifts to the nearest medical facilities. Malaria prophylactics should be taken.

BANKS

Central Bank, Haile Selassie Avenue. Tel: 26431. Barclays, Standard, Bank of Credit and Commerce, Citibank, First National Bank of Chicago, Grindlays, Habib Bank are among the banks with offices in Nairobi.

MAIN AIRLINES

Kenya Airways. Tel: 29291/822171.
British Airways. Tel: 334362/334440.
El Al. Tel: 338560.
Swissair. Tel: 331012.
Transworld. Tel: 24036/20265.
Pan Am. Tel: 23581.
Lufthansa. Tel: 335819/26271.
KLM. Tel: 332673/74/75.

RESTAURANTS

Marino's Mezzanine Floor, International Life House (tel. 27150).
Jardin de Paris, at the French Cultural Centre (tel. 336435). Does not take credit cards.
Bobbe's Bistro (tel. 21152).
Red Bull Restaurant (tel. 28045).

Kenya is heavily dependent on international trading patterns

Pressure on Britain's trading lead

IN 1980 fate played a cruel trick on Kenya. Just when the country had decided to take a bold stride towards becoming a competitive trading nation, a global recession set in dragging Kenya along in its wake. First introduced in the 1979-83 Development Plan and reiterated in subsequent national Budgets, the concept was to lift quantitative import restrictions and raise tariff barriers to stimulate manufacturing efficiency.

In return for initiating the system the World Bank, the principal architect of the reforms, embarked on a programme of structural adjustment loans to shore-up mounting deficits. But the ambitious export drive has stalled. Empty coffers have prompted sporadic but harsh import restrictions.

As a result manufactured exports, relying on a high level of foreign content, have stagnated; and prices for commodities—coffee and tea are two of the top foreign exchange earners—have softened on the international market.

Today the balance of payments continues to be a headache, although the trade deficit is estimated to have fallen from Kenyan £443m in 1980 to Kenyan £372m last year. According to official figures, much of the blame for declining exports is laid at the doorstep of Tanzania's socialist President Julius Nyerere. In February 1977 Nyerere summarily closed the border between the two countries, a move that accelerated the dissolution of the East African community. Since then Kenyans have been lamenting the loss of one of the most lucrative markets for their manufactured goods.

Tanzanian trade dropped by 70 per cent the following year and will not recover until the border is reopened.

But Tanzania's past importance dims in the context of overall trade patterns. Ugandan purchasing power overtook Tanzanian in 1965, and it continued to be Kenya's top African trading partner right through the economically chaotic days of Amin's rule and the tentative attempts at reconstruction that have followed. Ugandan purchases from Kenya reached a record high in 1980 although they dropped last year.

Neither is Africa a developed marketplace for Kenya. Regional trade is constrained by a general lack of foreign exchange and inadequate infrastructure. Only a quarter of Kenya's exports remain within the continent. Virtually all of the balance goes to the industrialised countries, primarily in the form of commodities such as coffee, tea, pyrethrum, sisal, pineapples, processed meat and nuts.

Clampdowns

To narrow the discrepancy between the north-south flow Kenya has been attempting to cut back on its import demands. The bill for many imported goods, particularly machinery and transport equipment, decreased last year. As a result of arbitrary central bank clampdowns on foreign exchange allocations import licences for cars and other goods regarded as luxury items have not been issued since the end of 1980. More essential items such as spare parts and raw materials currently take about a month to clear with the Central Bank. This is considered a reasonable time lag. Kenya's main trading partners are Britain, West Germany, France, Italy, U.S. and Japan.

The short term import demand is not expected to increase more than 5, to 10 per cent which, as a Western diplomat pointed out, will barely keep abreast of inflation. This trend has created a new tension amongst supplied nations and given rise to suspicion and mistrust over national methods of competition. Although credit conditions in OECD countries are regulated by an agreement, some countries seem to be more adept at operating within those parameters than others.

Britain has always been Kenya's foremost trading partner, but the edge is becoming gradually less decisive as the old boy network established in colonial times crumbles in the face of the jockeying tactics of newcomers such as the French and the Japanese Britain's export figures for last year are not yet available but they are expected to be 40 per cent down from 1980.

British officials in Nairobi said that the drop results from Kenya's cutback on consumer goods. If the figures for the first four months of 1981 are extrapolated, exports of machinery and transport equipment will fall by a third while exports of manufactured and consumer goods will drop by only one-fifth. Lord Carrington, Secretary of State for Foreign and Commonwealth Affairs conceded Britain's trading margin was narrowing when he visited Kenya earlier in March. "All countries in recession are looking for trade in other parts of the world," he said, "We are determined to keep our share of the market and if possible to increase it."

Hopes for recovery of Britain's share of the Kenya market this year are pinned on several large purchases of capital goods that are in the offing. There is a £80m turnkey sugar project in Busia in western Kenya. Booker Agriculture International in London with Fletcher and Stewart, and Tate and Lyle are competing against Indian, French and Japanese bidders. But Tate and Lyle are including some Japanese plant in their presentation because the rate of the yen has made Japanese prices more attractive than ever. Kenya Railways is spending $23m on carriages and another $20m is going towards port equipment.

Last year Britain lost a contract for container handling equipment at Mombasa to the French, who offered better credit terms.

French machinery sales are boosted by lines of credit extended to Kenya specifically for this purpose. Last year FFr 284m was handed out for equipment. Another FFr 300m is due to be signed up this April. With 35 years allowed for repayment the terms are more or less irresistible. The loans are composed of concessional government money and bank funds which results in an interest rate mix of 7 per cent. The French find the formula so successful they are extending the lines of credit on a yearly basis. As for genuine development aid, a French diplomat neatly sidestepped the issue by explaining, "We don't have enough money for infrastructure."

British sales on the commercial market are sometimes assisted by the aid for trade provision, an ODA fund that can inject a grant element of 20 to 30 per cent into sales that have a true developmental value if competition from other nations can be proved as a serious threat to winning the contract. Total expenditure for the global pool averages about £60m a year, just over twice the value of French subsidies to Kenya this year.

Another stumbling block for sales is Kenya's sinking credit rating—about sixth in black Africa—and chronic cash shortage. Most government export insurance bodies, with the exception of the Japanese, have required local bank guarantees before covering suppliers. But banks have been very reluctant to grant them.

Tight credit

Credit terms are becoming even tighter. A large Kenyan industrial concern with international partners went shopping for machinery this January and discovered that the ECGD, Hermes of West Germany and Austria's OKB state bank all demanded a guarantee from a reputable international bank.

As one banker put it, "What international bank would guarantee a Kenyan importer?" The French have got round this problem with their customary deftness. This January they extended a FFr 50m line of credit to the state-owned Kenya Commercial Bank to be used specifically as guarantees for covers from Coface, the French insurance body.

Britain may not be matching these terms—which in some observers' eyes amount to outright subsidies—but officials question the rationale behind the sales scramble. Mr Simon Hemans, Deputy British High Commissioner, says: "The credit race is self-defeating in the end. If you end up buying your own exports you haven't helped the economy in the long run."

M.A.F.

WORLD STOCK MARKETS

NEW YORK

[illegible]

Indices

[illegible]

NEW YORK ACTIVE STOCKS

[illegible]

CANADA

[illegible]

HONG KONG

1981-82 High	Low	Mar. 19	Price H.K. $
38.75	14.4	Cheung Kong	16.1
3.55	1.75	Cosmos Prop.	1.85
11.7	7.90	Cross Harbour	10.5
176	99.5	Hang Seng Bank	115
8.75	4.20	HK Electric	5.15
10.80	4.10	HK Kowloon Wh.	4.57
14.8	6.50	HK Land	6.9
20.1	12.2	HK Shanghai BK.	14.70
31.25	16.8	HK Telephone	28
25.6	13	Hutchison Wpa	14.6
27.70	12.3	Jardine Math	15.7
7.30	3.50	New World Dev.	4.0
7.60	4.15	O'seas Trust Bk.	5.10
21.60	5.50	SKH Props	6.70
20.3	8.85	Swire Pac A.	10.50
9.10	4.95	Wheel'k Mard A.	5.7
6.0	4.10	Wheel'k Marit'e	5.00
5.40	2.00	World Int. Hldgs.	2.42

JAPAN

1981/82 High	Low	Mar. 19	Price Yen
1,020	745	Ajinomoto	805
911	520	Amada	545
713	378	Asahi Glass	568
620	399	Bridgestone	409
1,760	710	Canon	750
467	275	Citizen	275
775	600	Daiei	610
500	399	DKBO	470
890	537	Dia Nippon Ptg	655
466	255	Daiwa House	361
516	350	Daiwa Seiko	362
493	365	Ebara	431
1,320	801	Eisai	835
501	398	Fuji Bank	500
2,090	870	Fuji Film	1,240
1,500	880	Fujisawa	1,210
7,380	4,700	Fujitsu Fanuc	4,850
2,940	1,270	Green Cross	1,810
890	461	Hasegawa	560
630	527	Heiwa RL East	550
915	510	Hitachi	574
670	490	Hitachi Koki	496
1,290	611	Honda	630
1,190	819	House Food	949
1,120	672	Hoya	689
429	286	Itoh (C)	299
666	375	Ito Ham	377
1,380	770	Ito Yokado	775
740	440	JACCS	440
2,510	2,280	JAL	2,380
754	541	Jusco	543
390	270	Kajima	360
620	482	Kao Soap	530
990	619	Kashiyama	747
[illegible]			
995	800	Tokyo Elect.Pwr.	935
132	105	Tokyo Gas	113
643	435	Tokyo Sanyo	455
241	147	Tokyu Corp	214
526	214	Toshiba	300
560	408	TOTO	411
495	390	Toyo Seikan	418
1,640	724	Toyota Motor	896
4,380	1,650	Victor	1,860
860	671	Wacoal	714
1,210	632	Yamaha	699
651	510	Yamazkia	530
378	236	Yasuda Fire	236
705	497	Yokogawa Bdge.	625

SOUTH AFRICA

1981/82 High	Low	Mar. 19	Price Rand
4.56	2.80	Abercom	2.9
10	7.1	AE & CI	7.1
18.45	11.55	Anglo Am.	11.55
133.0	74.25	Anglo Am. Gold	74.25
3.85	1.00	Anglo Am. Prop.	2.4
11.2	8.80	Barlow Rand	9
57.25	33.50	Buffels	39
8	4.85	CNA Invest	6.5
3.05	1.90	Currie Finance	2.30
10.90	5.65	De Beers	5.7
37.25	20.75	Driefontein	26
65.00	27	FS Geduld	29.5
110	54.0	Gold Fields S.A.	64.5
5.65	3.77	Highveld Steel	3.8
9.75	5.70	Huletts	7.7
43.75	26.25	Kloof	31.25
6.75	5.30	Nedbank	5.85
24	15.00	OK Bazaars	17
3.7	2.35	Protea Hldgs	2.40
12.1	6.35	Rembrandt	9.60
5.8	3.00	Rennies	4.2
7.00	3.65	Rust Plat	3.75
3.05	2.00	Sage Hldgs	2.6
5.15	3.25	SA Brews	4.25
22	15.00	Tiger Oats	15.25
4.05	3.50	Unisec	3.5

Financial Rand US$0.71¼
(Discount of 26%)

BRAZIL

1981/82 High	Low	Mar. 19	Price Cruz
1.90	0.76	Acesita	1.85
12.75	3.05	Banco Brasil	12.70
4.89	1.80	Belgo. Min.	4.0
9.00	2.80	Logas Amer.	8.85
10.40	2.12	Petrobras PP	10.30
10.0	2.05	Souza Cruz	10.0
12.50	4.65	Unip PE	12.50
13.65	4.50	Vale Rio Doce.	13.85

TEL AVIV

Company	Prices Mar 21 1982	Change on the week
Banking, Insurance and Finance		
Bank Leumi le Israel	2,174	+ 49
IDB Bankholding	1,789	+ 54
Bank Hapoalim Br.	2,926	+ 84
Union Bk. of Israel Br.	1,995	+ 30
United Mizrahi Bank	1,480	+ 30
Hassneh Insurance Br.	1,500	+ 90
General Mort. Bank Br.	1,045	—
"Telahot" Isrl. Mt. Bk.	2,120	+ 60
Danot S/D Is.	285	− 29
Land Development		
Africa Israel Inv. IE10	3,880	+310
Israel Land Devpt. Br.	1,303	+103
Property and Building	1,225	+170
Public Utility		
Super Sol "A"	1,680	+ 70
Investment Companies		
Bank Leumi Invest.	1,062	+ 92
"Clal" Israel Invest.	730	+ 30
Discount Invest.	950	+ 80
Commercial and Industrial		
Dead Sea	1,560	− 60
Polgar "B"	2,570	+ 55
Argaman Textile Br.	814	+174
"Ata" Textile "C"	660	—
Amer. Israeli Ppr. Mills	1,125	− 50
Elite	1,980	+ 70
Teva Reg.	1,690	− 25
Fuel and Oil		
Delek	979	+ 63

Source: Bank Leumi le Israel BM, Tel Aviv. †Bid.

NOTES:—Prices on this page are as quoted on the individual exchanges and are last traded prices. ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

MONEY MARKETS

Europe's changing face

London was one of the few major financial centres where interest rates were little changed last week, although on Monday and Tuesday it looked like being a very different story. Higher U.S. broker loan rates were followed by a return to uniform 16½ per cent prime lending rates as the few banks on 16 per cent moved back into line.

Bank of England help to the London money market had to be fairly generous to prevent the rising seven-day rate, which touched 14¾ per cent, putting pressure on the new 13 per cent base rate. Events elsewhere in Europe proved beneficial, however, and market fears that the London rate decline could be shortlived were quickly dispelled, helped by the encouraging figures for retail prices on Friday.

The European trends which proved helpful were cuts in German, Dutch and Swiss interest rates and a build up of speculation against the French and Belgian francs, tending to take the pressure off sterling.

On Friday Paris call money rose to its highest level for five months at 17 per cent, although period rates eased slightly after touching 17 per cent on Thursday, a rise of 2¼ percentage points from the end of the previous week. About a month ago call money fell to 14 per cent, the lowest level since the election of President Mitterrand last May, and the French franc was the strongest member of the European Monetary System.

At about the same time the D-mark was one of the weakest members of the system, but since then the positions of the two currencies have virtually reversed as economic and political events have worried holders of the franc.

Concerted action to reduce interest rates was taken by several central banks on Thursday. The German Bundesbank cut its special Lombard rate by ½ per cent to 9½ per cent—the first move since a reduction of ½ per cent on January 21—and the Dutch central bank reduced its discount rate by ½ per cent to 8 per cent. The Swiss National Bank left its Lombard rate at 7 per cent, but cut the discount rate to 5½ per cent from 6 per cent.

WEEKLY CHANGE IN WORLD INTEREST RATES

	Mar. 19	change
LONDON		
Base rates	13	Unch'd
7 day Interbank	13⅞-13¾	[illegible]
3 mth Interbank	13½-13⅞	[illegible]
Treasury Bill Tender	12.4831	+0.0181
Band 1 Bills	13¼	Unch'd
Band 2 Bills	13	Unch'd
Band 3 Bills	12¾	Unch'd
3 Mth. Treasury Bills	12⅞-12¾	Unch'd
1 Mth. Bank Bills	13⅜-13⅛	Unch'd
3 Mth. Bank Bills	12⅞-12¾	Unch'd
TOKYO		
One month Bills	6.59375	-0.0625
Three month Bills	6.53125	Unch'd
BRUSSELS		
One month	14⅛	Unch'd
Three month	14⅛	Unch'd
AMSTERDAM		
One month	8⅞	[illegible]
Three month	8⅝	[illegible]

	Mar. 19	change
NEW YORK		
Prime rates	16½	[illegible]
Federal funds	14½-15	[illegible]
3 mth. Treasury Bills	12.92	-0.19
6 mth. Treasury Bills	12.96	-0.06
3 Mth. CD	14.65	+0.15
FRANKFURT		
Special Lombard	9.5	-0.5
One Mth. Interbank	9.75	-0.325
Three month	9.70	-0.20
PARIS		
Intervention Rate	17	+3
1 Mth. Interbank	16⅞	[illegible]
Three month	16½	[illegible]
MILAN		
One month	20¼	Unch'd
Three month	20⅛	Unch'd
DUBLIN		
One month	20½	[illegible]
Three month	19⅞	[illegible]

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, and band 3 bills 34 to 63 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market and their respective changes during the week. * Band 4 12⅛ per cent.

BANK OF ENGLAND TREASURY BILL TENDER

	March 19	March 12		March 19	March 12
Bills on offer	£100m	£100m	Top accepted rate of discount	12.4042%	12.4742%
Total of applications	£462.8m	£478.5m	Average rate of discount	12.4831%	12.4650%
Total allocated	£100m	£100m	Average yield	12.88%	12.86%
Minimum accepted bid	£96.885	£96.89	Amount on offer at next tender	£100m	£100m
Allotment at minimum level	54%	87%			

FT LONDON INTERBANK FIXING

3 months U.S. dollars	
bid 15 1/8	offer 15 1/4

6 months U.S. dollars	
bid 15 1/8	offer 15 1/4

The fixing rates (Mar. 19) are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

Mar. 19 1982	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	13-20	[illegible]	—	—	[illegible]	13	—	—	—
2 days notice	—	—	[illegible]	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	[illegible]	[illegible]	—	[illegible]	[illegible]	[illegible]	—	—	—
One month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Two months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Six months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	—	—	[illegible]	—
Nine months	[illegible]	[illegible]	—	[illegible]	[illegible]	—	—	—	—	—
One year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	—	—	—	—
Two years	—	—	—	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days fixed. Long-term local authority mortgage rates nominally three years 13⅞ per cent; four years 13⅞ per cent; five years 14 per cent. ♦Bank bill rates in table are buying rates for prime paper. Buying rate for four-month bank bills 12¾-12⅝ per cent; four months trade bills 13¾ per cent.

Approximate selling rates for one month Treasury bills 12⅝-13 per cent; two months 12⅝-12¾ per cent; three months 12⅝ per cent. Approximate selling rate for one month bank bills 13⅛-13⅛ per cent; two months 13⅛ per cent; three months 12⅞ per cent; one month trade bills 13⅝ per cent; two months 13⅝ per cent; three months 13⅛ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 15 per cent from March 1 1982. Clearing Bank Deposit Rates for sums at seven days' notice 10-10½ per cent. Clearing Bank Rates for lending 13 per cent. Treasury Bills: Average tender rates of discount 12.4831 per cent.

Certificates of Tax Deposits (Series 5) 13¼ per cent from March 8. Deposits withdrawn for cash 11 per cent.

EURO-CURRENCY INTEREST RATES (Market closing Rates)

Mar. 19	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Belgian Franc Convertible	Japanese Yen
Short term	13¼-13½	14⅞-15⅛	15-16	8⅛-9	1¼-2	9¼-9½	22-27	19-22	7-9¼	6⅛-6½
7 days' notice	13⅝-13¾	15-15¼	15-16	8⅞-9	2-2½	9⅛-9⅜	22-27	23-31	17⅛-18	6⅛-6½
Month	13⅝-13¾	15⅛-15¼	15⅝-16⅛	8⅞-9	5½-5⅞	9¼-9½	24-26	25-27	17-19⅜	6⅛-6½
Three months	13⅝-13¾	15⅛-15¼	15¾-16⅛	8⅞-9	6⅛-6⅜	9¼-9⅜	21¼-22¼	23⅛-24⅞	16⅛-17¼	6¼-6⅜
Six months	13 7/16-13 9/16	15⅛-15⅜	15⅞-16¼	8⅞-9	6 5/16-6 7/16	9¼-9⅜	19¾-20¾	22¾-23⅝	16-17	6⅝-6¾
One Year	13 7/16-13 9/16	15-15¼	16⅛-16½	8⅞-9	6¾-6⅞	9¼-9⅜	18½-19½	22½-24	15½-16½	6⅝-6¾

BFr (financial): short-term 11-11½ per cent; seven days' notice 12¾-13 per cent; one month 13⅜-13⅞ per cent; three months 14⅛-14⅝ per cent; six months 14⅞-15 per cent; one year 14½-14¾ per cent.

SDR linked deposits: one month 13⅞-14⅛ per cent; three months 13⅝-14 per cent; six months 13 7/16-13 13/16 per cent; one year 13¾-13⅞ per cent.

ECU linked deposits: one month 14 11/16-15 1/16 per cent; three months 14 5/16-14 9/16 per cent; six months 13 13/16-14 3/16 per cent; one year 13 7/16-13 13/16 per cent.

Asian $ (closing rates in Singapore): one month 15 5/16-15 7/16 per cent; three months 15¼-15⅜ per cent; six months 15⅜-15½ per cent; one year 15 7/16-15 9/16 per cent. Long-term Eurodollar two years 15⅞-15⅝ per cent; three years 15⅝-15½ per cent; four years 15⅜-15⅝ per cent; five years 15⅜-15⅝ per cent nominal closing rates. Short-term rates are call for U.S. dollars, Canadian dollars and Japanese yen; others two days' notice.

The following rates were quoted for London dollar certificates of deposit: one month 14.80-14.90 per cent; three months 14.90-15.00 per cent; six months 14.95-15.05 per cent; one year 14.80-15.00 per cent.

CURRENCIES AND GOLD

Falling francs

Several members of the European Monetary System came under growing pressure last week, as the foreign exchange market took more notice of economic and political factors and less of pure interest rate movements. Speculation about a possible devaluation of the Belgian franc continued, but the market became more and more dominated by fears that the French franc was becoming equally vulnerable. Paris interest rates rose to the highest level for five months, at the same time that the German and Dutch authorities cut rates as their currencies became the two strongest members of the EMS.

The Belgian franc finished near its lowest permitted level against the top placed EMS currency, the guilder, on Friday, while the French franc touched its floor against the D-mark, but ended the week slightly firmer.

The dollar rose to a record level of FFr 6.2475 against the French franc, and finished at FFr 6.1975 compared with FFr 6.10 at the end of the previous week. The U.S. currency was also at a best ever level against the Italian lira, the weakest member of the EMS, rising to L1,306 from L1,284¾. A slight firming of Eurodollar rates also helped the dollar rise to DM 2.3830 from DM 2.3770 against the D-mark; to SwFr 1.8970 from SwFr 1.8790 in terms of the Swiss franc; and to Y244.10 from Y239.90 against the Japanese yen.

Sterling had a better week, and looked to have found a resistance level of £1.80 against the dollar. It finished unchanged at $1.7995 on the week, and the pound's trade weighted index improved to 91.1 from 90.1. Sterling improved sharply against the French franc, rising to FFr 11.16 from FFr 10.9750, and also rose to DM 4.2950 from DM 4.28; to SwFr 3.4150 from SwFr 3.3825; and to Y439.50 from Y431.50.

Gold remained depressed, but also found a resistance level, at about $312 an ounce. It fell to the lowest point since late August, and then tended to move up or down by about $10 a day, before closing at $316.50, a fall of $7.25 on the week.

THE DOLLAR SPOT AND FORWARD

March 19	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7970-1.8070	1.7990-1.8000	0.20-0.30c dis	−1.67	0.72-0.82dis	−1.71
Ireland†	1.4540-1.4600	1.4540-1.4560	0.68-0.58c pm	5.18	1.75-1.60 pm	4.59
Canada	1.2185-1.2210	1.2202-1.2207	0.06-0.09c dis	−0.74	0.23-0.26dis	−0.80
Nethlnd.	2.6175-2.6330	2.6175-2.6225	1.45-1.35c pm	6.40	4.08-3.98 pm	6.14
Belgium	44.78-44.95	44.81-44.83	15-30c dis	−6.02	30-45 dis	−3.34
Denmark	8.0750-8.0900	8.0750-8.0800	0.15ore pm-par	0.11	0.40-0.90dis	−0.32
W. Ger.	2.3810-2.3890	2.3825-2.3835	1.25-1.20pf pm	6.17	3.55-3.50 pm	5.92
Portugal	70.20-70.50	70.25-70.45	30-95c dis	−10.66	85-200 dis	−8.10
Spain	104.65-104.95	104.70-104.80	par-10c dis	−0.57	25-40 dis	−1.24
Italy	1,305-1,314	1,308½-1,309½	10-12 lire dis	−10.09	26½-28½ dis	−8.41
Norway	6.0360-6.0500	6.0450-6.0500	0.20ore pm-par	0.20	0.20-0.40dis	−0.20
France	6.1950-6.2475	6.1950-6.2000	5.50-6.50c dis	−11.62	10-11½ dis	−6.94
Sweden	5.8525-5.8600	5.8540-5.8590	1.10-0.90ore pm	2.05	3.20-3.00 pm	2.12
Japan	243.20-244.50	244.05-244.15	1.85-1.70y pm	8.72	5.20-5.05 pm	8.40
Austria	16.74-16.78	16.75¼-16.76¼	10½-9¼gro pm	7.07	27-24 pm	6.09
Switz.	1.8940-1.9050	1.8965-1.8975	1.59-1.51c pm	9.80	4.41-4.33 pm	9.21

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

THE POUND SPOT AND FORWARD

March 19	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.7970-1.8070	1.7990-1.8000	0.20-0.30c dis	−1.67	0.72-0.82dis	−1.71
Canada	2.1925-2.2010	2.1945-2.1955	0.35-0.45c dis	−2.19	1.33-1.43dis	−2.51
Nethlnd.	4.71-4.76	4.71-4.72	2¼-1¾c pm	5.09	5⅞-5⅜ pm	4.77
Belgium	80.50-81.20	80.65-80.80	25-55c dis	−5.95	60-100 dis	−3.96
Denmark	14.54-14.63	14.55-14.56	2½-3½ore dis	−2.52	9¼-10⅝ dis	−2.73
Ireland	1.2340-1.2405	1.2380-1.2395	0.63-0.75p dis	−6.68	1.86-2.02dis	−6.26
W. Ger.	4.28½-4.31½	4.29-4.30	1¾-1½pf pm	4.19	4⅞-4½ pm	4.31
Portugal	126.00-127.25	126.50-126.80	65-190c dis	−12.08	200-415 dis	−9.71
Spain	188.40-189.10	188.55-188.75	20-45c dis	−2.07	125-160 dis	−3.02
Italy	2,353-2,376	2,353-2,355	20½-25½ lire dis	−11.72	57-62 dis	−10.11
Norway	10.86-10.92	10.87-10.88	⅞-1⅞ore dis	−1.52	4⅛-5⅛ dis	−1.70
France	11.15-11.28	11.15-11.17	11¾-14¾c dis	−14.25	22½-28½ dis	−8.78
Sweden	10.53-10.59	10.53½-10.54½	¾ore pm-par	0.35	1¼-½ pm	0.33
Japan	437-442	439-440	2.80-2.50y pm	7.23	7.65-7.30 pm	6.80
Austria	30.05-30.30	30.08-30.13	17½-12gro pm	5.88	37½-30½ pm	4.52
Switz.	3.40½-3.44½	3.41-3.42	2⅝-2⅛c pm	8.34	6¾-6⅝ pm	7.61

Belgian rate is for convertible francs. Financial franc 89.45-89.55. Six-month forward dollar 1.48-1.58c dis, 12-month 2.50-2.70c dis.

FORWARD RATES AGAINST STERLING

	Spot	1 month	3 month	6 month	12 month
Dollar	1.7995	1.8020	1.8072	1.8148	1.8255
D-Mark	4.2950	4.2800	4.2488	4.2102	4.1362
French Franc	11.16	11.2925	11.4050	11.5429	11.7222
Swiss Franc	3.4150	3.3913	3.350	3.3005	3.2057
Japanese Yen	439.5	436.9	432.0	425.3	414.1

GOLD

	Mar. 19		Mar. 18	
Gold Bullion (fine ounce)				
Close	$316-317	(£175¼-175¾)	$322⅛-323⅛	(£178-178½)
Opening	$321-322	(£177¾-178¼)	$320½-321⅛	(£177-177½)
Morning fixing	$316.25	(£175.082)	$322.40	(£178.269)
Afternoon fixing	$315.75	(£175.193)	$320	(£176.649)
Gold Coins				
Krugerrand	$326-326¾	(£181¼-181¾)	$333-333½	(£184-184½)
1/2 Krugerrand	$167¾-168¾	(£93¼-93¾)	$171¼-172¼	(£94½-95¼)
1/4 Krugerrand	$85¼-86¼	(£47½-48)	$87¼-88¼	(£48¼-48¾)
1/10 Krugerrand	$34¾-35¾	(£19¼-19¾)	$35⅛-36½	(£19½-20¼)
Mapleleaf	$327-328	(£181¾-182¼)	$333¾-334¾	(£184½-185)
New Sovereigns	$77½-77¾	(£43-43½)	$78½-79	(£43¼-43¾)
King Sovereigns	$94½-95½	(£52½-53)	$95-96	(£52½-53)
Victoria Sovs	$94½-95½	(£52½-53)	$95-96	(£52½-53)
French 20s	$77-87	(£42¾-48¼)	$78-88	(£43-48½)
50 pesos Mexico	$389-391¾	(£216¼-217¾)	$397¾-400½	(£219¾-221¼)
100 Cor. Austria	$307-309	(£170¾-171¾)	$313½-316	(£173¼-174½)
$20 Eagles	$450-455	(£250¼-253)	$456-461	(£252-254¾)

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU March 19	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.6963	45.1443	+1.00	+1.00	±1.5440
Danish Krone	8.18382	8.13935	−0.54	−0.54	±1.6428
German D-Mark	2.41815	2.39861	−0.81	−0.81	±1.1097
French Franc	6.19564	6.25926	+1.03	+1.03	±1.3743
Dutch Guilder	2.67296	2.64037	−1.22	−1.22	±1.5069
Irish Punt	0.686799	0.689993	+0.47	+0.47	±1.6689
Italian Lira	1305.13	1320.94	+1.21	+1.23	±4.1242

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

Sterling/ECU rate for March 19 .... 0.558703

OTHER CURRENCIES

Mar. 19	£	$		£ Note Rates
Argentina Peso	19,835-19,855†	11,000-11,050†	Austria	30.10-30.40
Australia Dollar	1.7025-1.7045	0.9460-0.9465	Belgium	89-90
Brazil Cruzeiro	261.80-262.50	145.28-146.01	Denmark	14.55-14.69
Finland Markka	8.241-8.255	4.5840-4.5860	France	11.16-11.26
Greek Drachma	109.255-112.588	61.60-61.80	Germany	4.28¾-4.32¾
Hong Kong Dollar	10.512-10.528	5.8320-5.8370	Italy	2340-2390
Iran Rial	147.40*	81.70*	Japan	440-445
Kuwait Dinar (KD)	0.511-0.517	0.2848-0.2851	Netherlands	4.73-4.77
Luxembourg Fr.	80.65-80.80	44.81-44.83	Norway	10.86-10.96
Malaysia Dollar	4.2060-4.2120	2.3335-2.3365	Portugal	124-129½
New Zealand Dlr.	2.3190-2.3210	1.2880-1.2890	Spain	183½-194
Saudi Arab. Riyal	6.14-6.20	3.4155-3.4185	Sweden	10.54-10.64
Singapore Dollar	3.8320-3.8380	2.1260-2.1280	Switzerland	3.41½-3.45½
Sth. African Rand	1.8670-1.8690	1.0375-1.0385	United States	1.80-1.82
U.A.E. Dirham	6.60-6.66	3.6715-3.6735	Yugoslavia	93-100

† Now one rate. * Selling rate.

CURRENCY MOVEMENTS

Mar. 19	Bank of England Index	Morgan Guaranty Changes%
Sterling	91.1	−32.7
U.S. dollar	114.7	+7.1
Canadian dollar	88.5	−17.7
Austrian schilling	116.8	+24.8
Belgian franc	95.1	−1.7
Danish kroner	83.5	−13.6
Deutsche mark	123.5	+46.5
Swiss franc	154.7	+107.4
Guilder	115.4	+32.0
French franc	78.8	−15.3
Lira	54.2	−58.5
Yen	135.3	+39.0

Based on trade weighted changes from Washington agreement December, 1971. Bank of England index (base average 1975=100).

CURRENCY RATES

Mar. 19	Bank rate %	Special Drawing Rights	European Currency Units
Sterling	—	0.621198	0.558703
U.S. $	12	1.11939	1.00567
Canadian $	15.04	1.36610	1.22681
Austria Sch.	6¼	18.7682	16.8550
Belgian F.	13	50.1599	45.1443
Danish Kr.	11	9.04243	8.13935
D mark	7½	2.66919	2.39861
Guilder	8	2.93728	2.64037
French Fr.	9½	6.96932	6.25926
Lira	19	1469.20	1320.94
Yen	5½	272.124	244.880
Norwgn. Kr.	9	6.76783	6.07422
Spanish Pts.	8	unava'ble	105.343
Swedish Kr.	10	6.55851	5.88817
Swiss Fr.	5½	2.12774	1.91076
Greek Dr'ch.	20½	—	62.1702

EXCHANGE CROSS RATES

Mar. 19	Pound St'rling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild'	Italian Lira	Canadia Dollar	Belgian Franc
Pound Sterling	1	1.800	4.295	439.5	11.16	3.415	4.715	2354.	2.196	80.73
U.S. Dollar	0.556	1.	2.387	244.2	6.203	1.898	2.620	1308.	1.220	44.86
Deutschemark	0.233	0.419	1.	102.3	2.598	0.795	1.098	548.1	0.511	18.80
Japanese Yen 1,000	2.275	4.094	9.772	1000.	25.39	7.770	10.73	5356.	4.994	183.7
French Franc 10	0.896	1.612	3.849	393.8	10.	3.060	4.225	2109.	1.967	72.33
Swiss Franc	0.293	0.527	1.258	128.7	3.268	1.	1.381	689.3	0.643	23.64
Dutch Guilder	0.212	0.382	0.911	93.21	2.367	0.724	1.	499.3	0.466	17.12
Italian Lira 1,000	0.425	0.764	1.825	186.7	4.741	1.451	2.003	1000.	0.932	34.29
Canadian Dollar	0.456	0.820	1.957	200.2	5.084	1.556	2.148	1072.	1.	36.76
Belgian Franc 100	1.239	2.229	5.321	544.4	13.82	4.230	5.841	2916.	2.719	100.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED TRUSTS

[illegible]

NOTES

[illegible]

INSURANCE BONDS

Abbey Life Assurance Co. Ltd.
1-3 St. Paul's Churchyard, EC4. 01-248 9111

Property Fund	225.7	237.6	.....	—
Equity Fund	49.7	52.4	+0.6	—
Property Acc.	263.5	277.4		—
Equity Acc.	47.5	50.0	+0.5	—
Selective Fund	144.6	152.3	+1.0	—
Money Fund	163.3	171.9	.....	—
Convertible Fund	175.2	184.4	.....	—
Prop. Fd. Ser. 4	208.1	219.1	.....	—
Equity Ser. 4	53.3	56.2	+0.6	—
Man. Ser. 4	194.4	204.7	+1.0	—
Money Ser. 4	148.2	156.1	.....	—
Conv. Ser. 4	148.3	156.2	.....	—
Fixed Int. Fd. Ser. 4.	115.0	121.1	+0.6	—
American Ser. 4	105.6	111.2	+1.1	—
High Inc. Ser. 4	114.6	120.7	+0.7	—
Pension Property	312.4	328.9		—
Pension Equity	271.0	285.3	+3.0	—
Pension Selective	145.2	152.9	+0.9	—
Pension Managed	284.1	299.1	+1.7	—
Pension Security	215.1	226.5	.....	—
Pension Fixed Int.	110.0	115.8	+0.5	—

Albany Life Assurance Co. Ltd.
31, Old Burlington St., W.1. 01-437 5962

Equity Fd. Acc.	311.9	328.3	+0.3	—
Fixed Int. Acc.	192.0	202.0	+0.9	—
Gtd. Money Fd. Ac.	153.4	161.4	+0.1	—
Intl. Man. Fd. Acm.	138.6	145.8	+0.9	—
Intl. Fxd. Int. Fd.	107.8	113.4	−0.2	—
Prop. Fd. Acc.	157.7	166.0	+0.1	—
M'ple Inv. Acc	243.0	255.0	+0.5	—
Equity Pen.Fd.Acc.	426.4	448.8	+0.4	—
Fixed I. Pen.Acc.	305.6	321.6	+3.1	—
G'td Mon.Pen.Acc	209.7	220.7	+0.1	—
Intl.Mn.PnFdAcc	159.7	168.1	+0.7	—
Prop.Pen.Acc.	206.8	217.7	+0.1	—
M'ple Inv.Pen.Acc	350.4	368.8	+0.9	—

AMEV Life Assurance Ltd.
2-6, Prince of Wales Rd., B'mouth. 0202 762122

Managed Fd.	188.0	198.1	.....	—
Money Fd.	141.1	148.6	.....	—
Equity Fd.	144.5	152.3	.....	—
Fixed Int. Fd.	92.1	97.1	.....	—
Property Fd.	144.2	151.9	.....	—
Managed Pen. Fd.	168.4	177.4	.....	—
Equity Pension Fd.	93.7	98.7	.....	—
Fixed Int. Pens. Fd.	120.7	127.2	.....	—
High Yield Pens. Fd.	120.5	127.0	.....	—
Money Pension Fd.	109.8	115.5	.....	—
Property Pension Fd.	108.2	114.0	.....	—
Flexifund	117.8	124.1	.....	—
AMEV/Framlington				
American & Gen. Fd.	128.3	136.2	.....	—
Income Fd.	137.8	145.2	.....	—
Intl. Growth Fd.	136.5	143.8	.....	—
Capital Fund	137.5	144.8	.....	—

Barclays Life Assur. Co. Ltd.
252 Romford Rd., E7. 01-534 5544

Barclaybonds	169.2	178.2	+1.1	—
Equity	167.2	176.0	+0.9	—
Gilt-edged	133.0	140.0	+0.8	—
International	102.1	107.5	+1.2	—
Managed	145.9	153.6	+0.9	—
Money	131.8	138.8	.....	—
Property	173.3	182.5	.....	—
Man.Pens.Accum.	170.6	179.6	.....	—
Do Initial	149.1	157.0	.....	—
Gilt Edg.Pens.Acc.	160.0	168.5	.....	—
Do. Initial	135.3	142.5	.....	—
Money Pens. Acc.	157.7	166.1	.....	—
Do. Initial	134.2	141.3	.....	—

Crown Life
Crown Life Hse., Woking GU21 1XW 04862 5033

Dist. Fd. Incm.	113.5	119.4	+0.4	10.40
Mang'd Fd. Acc.	152.9	160.9	+0.6	—
Mang'd Fd. Init	136.0	143.1	+0.6	—
Mang'd Fd. Incm	127.3	134.0	+0.6	8.25
Property Fd. Acc.	130.2	137.0	.....	—
Property Fd. Init.	116.0	122.1	.....	—
Property Fd. Incm.	104.0	109.4	.....	7.10
Fixed Int. Fd. Acc.	135.6	142.7	−0.7	—
Fixed Int. Fd. Incm.	103.9	109.3	+0.6	13.05
Equity Fd. Acc.	150.3	158.2	+1.3	—
Equity Fd. Init	134.3	141.3	+1.2	—
Equity Fd. Incm.	130.6	137.4	+1.1	5.25
Inv. Tst. Fd. Acc.	157.1	165.3	+0.8	—
Inv. Tst. Fd. Init.	140.1	147.4	+0.7	—
Inv. Tst. Fd. Incm.	135.9	143.0	+0.7	2.55
Money Fd. Acc.	129.1	135.8	.....	—
Money Fd. Incm.	96.5	101.5	.....	15.00
Inter'l. Fd. Acc.	125.5	132.1	+0.9	—
Inter'l. Fd. Incm.	112.1	117.9	+0.7	4.30
High Income Acc.	123.5	129.9	+0.6	—
High Income Inc.	107.4	113.0	+0.5	11.15
PE Coronet Fd.	129.5	136.3	.....	—
Carr Sebag Inv. Fd.	131.6	138.5	.....	—
Brewin Equity Fd.	154.6	162.7	.....	—
Strategic Inv. Fd.	97.8	102.9	.....	—
Beaufort Man. Fd.	94.5	99.4	.....	—
St. George Mangd. Fd.	108.2	113.8	.....	—
Lincs & Gen. Fd	116.9	123.0	.....	—
Sage Fd	83.9	88.3	.....	—
Heritage Fd.	95.4	100.4	.....	—
DBS Managed	102.3	107.6	.....	—
Crown. Brit. Inv. A		212.3	.....	—
Pens. Mixed. Fd.	141.9	147.0	.....	—
Pens. Mang'd Acc	106.0	111.5	.....	—
Pens. Mang'd. Init	103.2	108.6	.....	—
Pens. Equity Acc.	96.4	101.4	.....	—
Pens. Equity Init	93.8	98.7	.....	—
Pens. Fxd. Int Acc.	105.6	111.1	.....	—
Pens. Fxd. Int. Init.	102.8	108.2	.....	—
Pens Money Acc.	105.2	110.7	.....	—
Pens. Money Init.	102.6	107.9	.....	—

Crusader Insurance PLC
Tower Hse, 38 Trinity Sq. EC3N 4DJ 488 2323

Growth Prop Mar 2	103.5	113.3	.....	—
Managed Pens Mar 10	111.91	117.80	.....	—

Eagle Star Insur./Midland Assur.
1, Threadneedle St., EC2. 01-588 1212

Eagle/Mid. Units	75.0	77.8	+1.2	6.05

Equity & Law Life Ass. Soc. Ltd.
Amersham Road, High Wycombe. 0494 33377

UK Equities Fund	180.6	190.1	+1.9	—
Higher Inc. Fd.	117.3	123.4	+1.3	—
Property Fd	187.6	197.4	.....	—
Fixed Interest Fd.	137.8	145.0	+0.8	—
Gtd. Deposit Fd.	132.8	139.7	.....	—
Nth. America Fund	97.0	102.1	+1.9	—
Far East Fund	80.6	84.8	−0.5	—
International Fund	92.7	97.5	+0.7	—
Mixed Fund	161.2	169.6	+1.0	—

Equity & Law (Managed Funds) Ltd.
Amersham Road, High Wycombe 0494 33377

Ind. Pen. Equity	179.9	189.3	.....	—
Ind. Pen. Property	139.1	146.4	.....	—
Ind. Pen. Fixed Int.	133.3	140.3	.....	—
Ind. Pen. Indx Lk Scs.	104.6	110.1	.....	—
Ind. Pen. Overseas	141.7	149.1	.....	—
Ind. Pen. Cash	131.3	138.2	.....	—
Ind. Pen. Balanced	146.8	154.5	.....	—
Ind. Pen Dep. Admn.	131.1	137.8	.....	—

Prices at March 11. Next settlement April 15.
Group Pension Funds—Prices Available On Request.

G.T. Management Ltd.
16, Finsbury Circus, London, EC2M 7DJ.
01-628 8131

[illegible]

FT UNIT TRUST INFORMATION SERVICE

Legal & General (Unit Assur.) Ltd.
Kingswood House, Kingswood, Tadworth, Surrey KT20 6EU. Burgh Heath 53456

Cash Initial	113.4	119.4	+0.1	—
Do. Accum.	130.4	137.3	−0.1	—
Equity Initial	177.7	187.1	+1.4	—
Do. Accum.	204.4	215.2	+1.7	—
Fixed Initial	162.3	170.9	+1.3	—
Do. Accum.	186.6	196.5	+1.4	—
Intl Initial	119.3	125.6	+2.4	—
Do. Accum.	135.1	142.3	+2.9	—
Managed Initial	164.1	172.8	+1.3	—
Do. Accum	188.7	198.7	+1.4	—
Property Initial	134.7	141.8	.....	—
Do. Accum.	154.9	163.1	.....	—
Exempt Cash Init.	140.3	147.7	+0.1	—
Do Accum.	161.1	169.6	+0.1	—
Exempt Eqty Init.	245.9	258.9	+2.1	—

[illegible]

Norwich Union Insurance Group
PO Box 4, Norwich NR1 3NG. 0603 22200

NUIG (Managed Funds) Ltd.

Managed Fund	317.6	334.3	+1.4	—
Equity Fund	538.5	566.8	+2.1	—
Property Fund	209.1	220.1	.....	—
Fixed Int. Fund	195.2	205.4	+1.3	—
Deposit Fund	146.2	153.9	+0.2	—

Norwich Union Life Insurance Society Pensionquestor

Fixed Interest*	115.4	121.4	.....	—
Ordinary Share*	116.1	122.2	.....	—
Property*	104.4	109.8	.....	—
Deposit*	100.5	105.7	.....	—
Index Linked Secs.*	109.7	115.4	.....	—
Mixed*	111.3	117.1	.....	—

*Prices at March 16.

[illegible]

Skandia Life Assurance Co. Ltd.
161-166 Fleet St., London EC4 2DY 01-353 8511

Managed Acc.	118.1	124.3	+0.5	—
Equity Acc.	125.2	131.8	+0.5	—
Gilt Plus Acc	112.8	118.7	+0.4	—
International Acc.	114.1	120.1	−0.8	—
Pens. Managed Acc.	130.2	137.0	+0.6	—
Pens Equity Acc.	137.9	145.2	+0.7	—

For Prices of other Units and Guaranteed Basis Rates please Phone 01-353 8511

For Solar Life Assurance Ltd. see Sun Life Unit Assurance Ltd.

[illegible]

Arbuthnot Securities (C.I.) Ltd. (a)(c)(h)
P O Box 284, St. Helier, Jersey. 0534 76077

Dollar Income Tst.	US$0.987	1.029	−0.001	15.61
East Intl. & Energy	134.0	146.1	+0.1	0.86
Gov't Secs. Tst.(CI)	73.6	76.6	.....	13.70

Daily Dealing-yields based on estimates.

Sterling Fd	137.9	138.0	.....	0.37

Dealing on Wednesday.

B.I.A. Bond Investments AG
10, Baarerstrasse CH6301, Zug, Switzerland

Bearer Sfd Feb 19	10,165	10,700	.....	—

Bank of America International S.A.
35 Boulevard Royal, Luxembourg G.D.

[illegible]

OFFSHORE & OVERSEAS FUNDS

[illegible]

NOTES

[illegible]

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked & Variable Rate

[illegible]

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH AND AFRICAN LOANS

[illegible]

LOANS

Public Board and Ind.

1J	Agric. Mt. 5pc '59-89	62	1.12	8.19	13.58
1S	Met. Wtr. 3pc 'B'	28½xd	1.2	10.57	12.92
31D	U.S.M.C. 9pc 1982	107	31.12	8.63	—
31D	Do. without Warrnts.	99½	31.12	9.30	—

LOANS—Continued

Financial

[illegible]

Building Societies

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS AND HIRE PURCHASE

Feb.	Aug.	Alexanders D. £1	220	15.2	18.5	—	12.0	—
May	Aug.	Algemene Fl.100	£58½	18.8	Q26%	ϕ	9.5	ϕ
Dec.	June	Allied Irish	80	23.11	043.9%	5.5	11.2	2.3
	July	Ansbacher (H.) 5p.	17	7.6	10.35	—	3.6	—
July	Jan	Bk. Ireland £1	208	9.11	Q28.9%	—	11.8	—
May	Nov.	Bk. Leumi $0.1	5	6.10	Q12½%	—	0.7	—
Aug.	Feb.	Bk.Leumi (UK)£1	220xd	15.3	10.15	—	6.6	—
Jan.	July	Bk. N.S.W. $A1	163	23.12	Q24c	2.9	9.0	3.8
Nov.	May	Bank Scotland £1	430	28.9	†17.5	5.7	5.8	3.2
Apr.	Oct.	Barclays £1	458xd	15.3	†22.0	φ3.3	6.9	3.0
Jan.	July	Brown Shipley £1	235	23.11	h6.5	—	4.0	—
Jan.	July	Cater Allen £1	315	23.11	23.1	—	10.5	—

BANKS & H.P.—Cont.

[illegible]

Hire Purchase, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

CHEMICALS, PLASTICS

[illegible]

CHEMICALS, PLASTICS—Cont.

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ENGINEERING MACHINE TOOLS

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

FOOD, GROCERIES—Cont.

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING ADVERTISING

PROPERTY

INSURANCE

LEISURE

PROPERTY—Continued

SHIPPING

SHOES AND LEATHERS

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc.

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

RUBBERS AND SISALS

TEAS

India and Bangladesh

Sri Lanka

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Finance

Diamond and Platinum

MINES—Continued

Central African

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
Nov.	May	Falcon Rh.50c	80	15	Q25c	10.3	25.3
	Aug.	Roan Cons. K4	70	29	♦—	—	—
Nov.	May	Wankie Col. Rh.1	22	10.9	Q3c	1.2	10.2
May	Oct.	Zam.Cpr.SBD0.24	17	9/81	—	—	—

Australian

Tins

Copper

Miscellaneous

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
	—	Anglo-Dominion	20	—	—	—	—
	May	Burma Mines 10p	15½	30.3	0.75	0.9	6.9
	—	Colby Res. Corp.	35	—	—	—	—
Aug.	Feb.	Cons. Murch. 10c.	240	23.12	Q60c	1.9	13.3
	—	††Exploura Gold	7	—	—	—	—
	—	††Hemerdon 10c.	58	—	—	—	—
	—	Highwood Res.	75	—	—	—	—
	—	Northgate C$1	180	9/77	—	—	—
Jan.	July	R.T.Z.	422	23.11	16.0	2.3	5.4
Jan	July	Do.9½%Cu.Ln.'95-2000	£96	9.11	Q9½%	—	10.1
	—	††SPO Minerals 10p	11	—	—	—	—
	—	Sabina Inds. C$1	14	—	—	—	—
	—	‡Southwest C. 10p	43	—	—	—	—
	—	Tara Exptn. $1	320	—	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 163(2)(a); not listed on any Stock Exchange and not subject to any listing requirements.
- ‡‡ Dealt in under Rule 163(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♦ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- ♦ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.
- §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1981-82. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1982. K Figures based on prospectus or other official estimates for 1981-82. M Dividend and yield based on prospectus or other official estimates for 1983. N Dividend and yield based on prospectus or other official estimates for 1982-83. P Figures based on prospectus or other official estimates for 1982. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

			IRISH		
Albany Inv. 20p	40	......			
Bertrams	17#	......	Conv. 9% '80/82	£95¾	+⅛
Bdg'wtr. Est. 50p	410	......	Nat. 9¾% 84/89	£65⅞	......
Craig & Rose £1	£12¾	......	Fin. 13% 97/02	£68¼	......
Finlay Pkg. 5p	25	......	Alliance Gas	53	−2
Graig Ship. £1	£20	......	Arnott	220	......
Higsons Brew	67	......	Carroll (P.J.)	73½	......
Holt (Jos) 25p	565	......	Concrete Prods.	90	......
I.O.M. Stm. £1	120	......	Heiton (Hldgs.)	[illegible]	......

OPTIONS

3-month Call Rates

Industrials				Property	
Brown (J.)	7	Mrks. & Spncr	12	Town & City	3½
Burton Ord.	15	Midland Bank	30	Oils	
Cadburys	9	N.E.I.	9	Brit. Petroleum	26
Courtaulds	8	Nat. West. Bank	38	Burmah Oil	10
Debenhams	7	P & O Dfd.	14	Charterhall	6
Distillers	15	Plessey	32	KCA	14
Dunlop	6½	Racal Elect.	35	Premier	6
Eagle Star	32	R.H.M.	6½	Shell	30
F.N.F.C.	4	Rank Org. Ord.	20	Tricentrol	22
Gen. Accident	28	Reed Intnl.	26	Ultramar	30
Gen. Electric	65	Sears	6	Mines	
Glaxo	42	Tesco	5½	Charter Cons.	25
Grand Met.	17	Thorn EMI	42	Cons. Gold	45
G.U.S. 'A'	45	Trust Houses	11	Lonrho	7
Guardian	25	Tube Invest.	13	Rio T. Zinc	42
G.K.N.	15	Turner & Newall	11		
Hawker Sidd	30	Unilever	55		

"Recent Issues" and "Rights" Page 34

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £600 per annum for each security

FINANCIAL TIMES

Monday March 22 1982

Heseltine gives a hand to boost black business advance

BY ROBIN PAULEY

MR MICHAEL HESELTINE, the Environment Secretary, is looking urgently for a black adviser and has asked all the major banks to give priority consideration to appointing black business development officers.

Mr Heseltine feels that appointment of a black person with business experience is the only way to be briefed properly on the problems facing black people wanting to start or expand small businesses in Britain's deprived inner-city areas.

He also feels such an appointment would help to convince the black community that the Government is trying to pay careful attention to its difficulties. The search has become more urgent in Mr Heseltine's eyes as the anniversary of last year's riots approaches, with very little so far to show from the Government's promise of changes.

However, the search for the right person to advise him has proved difficult and Mr Heseltine is understood to have gone to the trouble of asking some schools in the Toxteth area of Liverpool whether any of their brightest graduates over the last five, 10 or 15 years were blacks who went on to achieve business success.

On the other hand, neither he nor his department has asked organisations such as the New World Business Consultancy in Camberwell, South London, whether it has any ideas. The organisation was set up with £40,000 from the Greater London Council, Wates and some clearing banks to advise black businessmen on how best to present their business ideas to banks and improve their business sales. One of the main organisers is Mr Jonathan Emanuwa, who has extensive links with the black business community.

Meanwhile, all the chairmen of the five major clearing banks, the Co-operative Bank, Trustee Savings Bank, Yorkshire Bank and Girobank have received personal letters from Mr Heseltine urging them to appoint black business development officers.

This is at the instigation of the Financial Institutions Group (FIG), which is advising Mr Heseltine on inner urban problems for a year.

Barclays, which has been the first to respond, has appointed Mr John Ridgeway, a white former manager of a branch in the East End of London. Mr Heseltine is understood to be privately unimpressed with Barclay's inability to find a suitable black person despite its Afro-Caribbean banking links.

None of the other banks is expected to appoint a black person to the job. The five major clearers — Barclays, Lloyds, National Westminster, Midland and Williams and Glynns — have some 11,300 branches but not one black manager.

Austrians win £300m Soviet steel mill contract

By Our Moscow Correspondent

VOEST-ALPINE, the state-owned Austrian engineering group, has signed a contract with the Soviet Union's Foreign Trade Ministry for a steel mill designed to convert scrap metal into 750,000 tonnes of steel a year.

Voest-Alpine is to produce a complete turnkey steel complex in Byelorussia by the end of 1984 for Sch 9bn (£299.5m). No barter arrangements are involved in the deal.

Financing is being provided by Austrian banks at 7.8 per cent, 2 percentage points below the market rate. The Soviet Union was granted a line of credit of Sch 10bn for 8½ years.

Engineers from Voest-Alpine said their technology won the contract over Salzgitter of West Germany. But the interest rate offered by Austria is thought to have been a powerful stimulus to the Soviet Union.

The plant, to be located at Shlobin, near Gomel in the western Soviet Union will produce liquid steel from scrap in electric arc furnaces.

It is planned to produce 500,000 tonnes a year of finished products—rolled steel, wire and rods—with the rest in semi-finished form.

Soviet engineers have not previously devoted much attention to reclaiming scrap iron and steel. They reportedly hope to make the Shlobin plant a pilot project, as the first of up to 10 such mills around the country.

Voest-Alpine will sub-contract about 10 per cent of the construction to Danieli, the Italian company. Schloemann-Siemag, the German company, will also have a small share of the deal.

About 150 Austrian engineers will be based in Byelorussia to supervise construction, officials said.

CHANGES EXPECTED ON MANAGEMENT AND PURCHASING

Shake-up likely on Sizewell B

BY DAVID FISHLOCK, SCIENCE EDITOR

CONTROVERSIAL DECISIONS are expected soon on the management and purchasing policies for the £1bn Sizewell B nuclear station, planned as the next major investment by the Central Electricity Generating Board.

The CEGB already has flouted the Government's earlier wish that total project management for Sizewell B—the subject of a public inquiry next year—should be given to the National Nuclear Corporation.

Instead, a joint management team has been set up, led by Mr Ted Pugh, a senior CEGB project manager. He recently transferred to the NNC board as director responsible for the pressurised water reactor.

His team includes a large number of CEGB engineers, along with staff seconded from the U.S. companies Westinghouse and Bechtel, and from British Nuclear Fuels.

Members of the team have been told their loyalties must be primarily with the PWR project and not their parent organisations.

Until his abrupt departure last year, Mr Denis Rooney, former NNC chairman, was expecting to negotiate a total management contract from the CEGB and sub-contract the non-nuclear two-thirds of the project back to its customer. But under the new arrangement, the NNC could have direct responsibility for only 20 per cent of the project.

The CEGB has stressed it was not sure that NNC alone could carry the technical and financial risks of the project—one it sees as the precursor for a series of five identical stations in the 1980s.

The team expects to spend about £100m before a start is made on site—at the earliest in two years' time.

With the team, NNC staff are being seconded to the CEGB's engineering centre at Barnwood, and CEGB staff to the NNC's design offices at Whetstone, near Leicester.

The team soon will invite bids from overseas suppliers for nuclear parts of the station. Westinghouse is expected to bid for the complete nuclear steam supply system, but with "maximum" manufacture in Britain.

In this way, the team hopes to discover how interested British industry is in making PWR components, given the low ordering rate expected in the 1980s.

The team already has recommended one significant change to the design disclosed in January. This is a second prestressed concrete containment to surround the nuclear steam supply system, at an extra cost of about £6m.

The team is working against the clock to freeze the design in time to keep its promise to publish its pre-construction safety report by the end of next month.

But it remains confident that it will present the public inquiry with a project costing about 30 per cent less than an equivalent British-designed advanced gas-cooled reactor.

It is also confident it can achieve radiation ghost levels to Sizewell B operators comparable with the average at existing British nuclear stations.

One key decision the team must take is whether the nuclear company will be responsible for the "nuclear island," representing about 35 per cent of total cost, or only the nuclear steam supply system, representing about 20 per cent.

The joint team must also decide, on the basis of estimates provided by British and overseas suppliers, whether key parts of the nuclear steam supply system should be bought in Britain.

It has already accepted that it will cost more to set up manufacturing facilities in Britain for a pressure vessel than the value of the Sizewell B order. The domestic ordering rate is not expected to be high enough for such a plant to be profitable in the 1980s.

Westinghouse, short of new orders, is making a strong bid to win the contract for a complete nuclear steam supply system.

But political pressures may force a compromise in which key components are bought overseas and assembled in Britain.

Jenkins edges ahead in Hillhead polls

BY PETER RIDDELL, POLITICAL EDITOR

MR ROY JENKINS for the SDP/Liberal Alliance has edged ahead of the Conservative and Labour candidates in the run-up to the Glasgow Hillhead by-election on Thursday.

The gap between the three main candidates is still small—possibly well under 1,000 votes—so that the outcome is likely to remain uncertain until the end.

The result will have a vital impact not only on Mr Jenkins' future and his prospects of becoming SDP leader but also on the Alliance's chances of recovering its present faltering political momentum. A victory for either Conservatives or for Labour would also consolidate existing leadership.

There is evidence in the latest opinion polls and from canvass returns of a slight movement in favour of Mr Jenkins in the past few days.

In Mr Jenkins' camp there is confidence of a growing momentum which, it is hoped, will be strengthened by the latest polls. This follows what is claimed as a successful canvass of formerly uncommitted voters and "don't knows" over the weekend. This is in contrast with the depressed state of SDP leaders a week ago. They are, however, trying to warn their followers against over-confidence.

Experienced campaigners believe that the contest effectively is between Mr Jenkins and Mr Gerry Malone, who is defending a Conservative majority of just over 2,000 at the last election. These campaigners argue that former Labour voters, especially women and the young, are moving slightly in favour both of Mr Jenkins and of Mr George Leslie, the Scottish Nationalist candidate.

The traditional Conservative vote in the more middle-class areas appears to be holding up strongly, though some Tory working-class voters may be deserting. These trends may not yet be fully reflected in the opinion polls.

A Telephone Survey Research Unit poll for the Sunday Standard newspaper and for BBC Scotland shows Mr Jenkins with 29 per cent of the vote (against 27 per cent last week), Labour with 28.5 per cent (27), the Conservatives with 27.5 per cent (30) and the Scottish Nationalists with 14 per cent (15.5).

Mr Jenkins appears to have been helped both by a shift of uncommitted voters and by the impact of his public meetings which have attracted very large attendances.

THE LEX COLUMN

The unwanted dividends

Highly-taxed private investors, and the unit trust vehicles which serve them, have a long-standing and perfectly rational preference for capital gains over dividend income. This year's Budget should crystallise their dislike for dividend income into a positive aversion. After all, the inflation element of future long-term capital gains will now virtually escape taxation, while dividends remain subject to tax at rates of up to 75 per cent.

At the same time, the investor averse to risk as well as to dividend is offered a more or less ideal security by the Government; the index-linked gilt-edged is a formidable competitor for the familiar blend of low coupon stocks, property and GEC shares. Companies reviewing their dividend policies at least should be aware that a large number of their shareholders would prefer them to have a much lower ratio of dividends to retained profits.

Quite independently from the new conditions in the UK, the latest edition of the Chase Financial Quarterly is given over entirely to a discussion of dividend policy. With differences of emphasis here and there, the academic contributors expound the theoretical arguments—supported by a steadily growing volume of research—that the payment of dividends is irrelevant and can be harmful. Of all of the issues studied by academic corporate finance specialists, this is perhaps the one in which theoretical deductions have had the least impact on the day-to-day behaviour of corporate managers.

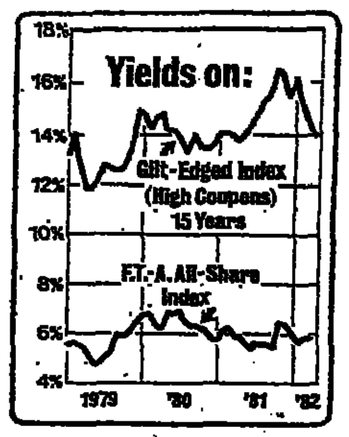
Greatly oversimplified, the argument runs that in an ideal market—with no taxes or transaction costs—it should not matter whether a company distributes its profits or retains them. For a given investment policy relative to cash flow, a rise in the dividend expresses a preference for outside financing—the acceptance of higher gearing through a rise in the level of debt, or an implicit decision to raise new equity. In an environment in which a significant number of the company's shareholders pay tax on their dividends, to distribute earnings is plain perverse. Even where a company has decided to shrink, and feels its shareholders can use funds better than it can, it is more efficient for it to buy in its own shares, than pay dividends.

Buying in shares is still not open to British quoted companies, and the London equity market is dominated by untaxed pension funds to a much greater extent than Wall Street — the price of GEC shares is set by the gross funds, not the high taxpayer. But even in the U.S. campus derision about dividends has cut a very limited amount of ice: U.S. quoted companies paid out $60bn (£33.3bn) in 1981. Some contributors to the CFQ, starting from the premise that not all businessmen are irrational, concern themselves with explaining companies' strange reluctance to bow to common sense.

Their general conclusion is that dividends convey information about long-term trends to the markets in some mystical way that makes it worthwhile to bear the administrative costs of payment, have the shareholder taxed, and eventually pay for the underwriting of new equity. This might imply that chairmen are even less articulate and public relations men given even less value for money than is generally supposed. Or else—and this seems more likely—hard cash is the only thing worth paying attention to.

A seminar held by Chase on these subjects covers the theoretical points in a lively way, and even goes so far as to consider what becomes of successful companies which announce plans to stop paying dividends. (If their shares do collapse, "bargain-hunters" will be in soon to restore the balance; the idea that the bargain-hunters might be other companies with sharp teeth is not discussed.) No one at the seminar seems to have put the argument that the annual chore of amassing cash against which to write dividend cheques might impose a valuable discipline on management—a discipline more effective than vague "accountability."

The academic position could hardly be further away from the ordinary point of view of the British pension fund manager, who wants as many dividends as he can get. It is not unknown for funds to cajole or even bully companies into a high level of distribution, even if that means paying unrelieved advance corporation tax. Dividend cuts, like other sorts of violent crime, have been on the increase lately, but that does not make them any less deplorable in the view of the pension fund managers.



Perhaps it is exposure to the gilt-edged market over a period of very high yields that has accustomed fund managers to getting 15 per cent of their investment back at the end of a year and having to find a new home for it. Certainly the idea of selling small parcels of stock to meet pension costs does not seem to appeal: the objective of a fund may be measured in terms of total return, but dividend flows and capital profits are still treated as different kinds of money.

Recycling

But it is not necessary to accept every article of faith of the anti-dividend school to be concerned about overdistribution. In the UK, the picture of a company raising new equity to pay for past dividends is far from being a caricature—and the need to pay dividends on the increased capital sows the seeds of the next fund-raising. Nobody benefits much from this weary process of recycling but the Inland Revenue and the City underwriters.

Many British companies went into the present recession with inappropriately-low dividend cover—party as a result of pressure to raise dividends by 10 per cent every year in the period of dividend restraint. The high historic payout ratio left them exposed when their profits fell away and many were forced to cut their dividends. Corporate pride now seems to require that the level of dividend that has been abandoned should be reconquered as soon as possible —even though the whole point about the cut was that the old level was wrong.

There is nothing particularly heroic in this storming of lost citadels. The positive side of a dividend cut is that it provides a base from which a company can reconsider the ideal future mix of retentions and distribution. The capital gains tax changes will have done a useful job if they redress the balance in favour of retentions.

Weather

MAINLY DRY with sunny periods after fog patches and clouds clear.

London, S. England, E. Anglia, the Midlands, N. England
Rather cloudy with light rain at first becoming brighter and dry. Max 10C (50F).

S. W. England, Wales,
Early fog patches becoming sunny. Max 11C (52F).

N. W. England, S. W. Scotland, N. Ireland
Sunny periods with scattered showers and moderate winds.

Borders, Scotland,
Max 9C (48F).
Sunny periods with isolated showers and westerly winds. Max 9C (48F).

Outlook: Dry with bright intervals and night frost.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	C	14	57	L. Ang.†	F	10	50
Algiers	F	16	61	Luxmbg.	C	3	37
Amsdm.	C	5	41	Luxor	C	31	88
Athens	F	15	59	Madrid	S	19	66
Bahrain	S	21	70	Majorca	C	16	61
Barclna.	F	15	59	Malaga	S	26	79
Beirut	S	17	63	Malta	C	13	55
Belfast	F	11	52	M'chstr.	R	5	41
Belgrd.	S	5	41	Melbne.	—	—	—
Berlin	C	4	39	Mx. C.†	—	—	—
Biarritz	C	11	52	Miami†	—	—	—
Bmghm.	C	6	43	Milan	S	12	54
Blackpl.	R	5	41	Montrl.†	C	−1	30
Bordx.	R	7	45	Moscow	S	4	39
Boulgn.	C	6	43	Munich	C	6	43
Bristol	R	7	45	Nairobi	C	29	84
Brussels	C	5	41	Naples	F	9	48
Budpst.	—	—	—	Nassau	—	—	—
Cairo	S	25	77	Nwcstl.	C	5	41
Cardiff	R	6	43	NYork†	—	—	—
Cas'b'ca	F	18	64	Nice	S	14	57
Cape T.	—	—	—	Nicosia	S	17	63
Chicg.†	F	2	36	Oporto	S	18	64
Cologne	C	5	41	Oslo	Sn.	1	34
Cpnhgn.	C	4	39	Paris	C	6	43
Corfu	C	12	54	Perth	C	19	66
Denver†	F	−7	19	Prague	C	5	41
Dublin	F	12	54	Rykjvk.	R	5	41
Dbrvnk.	S	12	54	Rhodes	F	15	59
Ednbgh.	R	6	43	Rio J'o†	—	—	—
Faro	S	22	72	Rome	F	13	55
Florence	F	11	52	Salzbrg.	R	6	43
Frankft.	C	7	45	S'cisco†	—	—	—
Funchal	C	17	63	S Mritz.	—	—	—
Geneva	F	6	43	Singapr.	F	28	82
Gibrltr.	F	21	70	S'tiago†	—	—	—
Gl'sg'w	R	6	43	Stckhm.	C	2	36
G'rnsey	R	6	43	Strasbg.	—	—	—
Helsinki	F	3	37	Sydney	—	—	—
H. Kong	S	27	81	Tangier	F	17	63
Innsbrk.	C	7	45	Tel Aviv	S	20	68
Invrnss.	F	9	48	Tenerife	S	20	68
I.o.Man	C	7	45	Tokyo	C	13	55
Istanbul	C	7	45	T'r'nto†	C	1	34
Jersey	R	6	43	Tunis	C	11	52
Jo'burg	—	—	—	Valencia	F	22	72
L. Plms.	F	19	66	Venice	S	12	54
Lisbon	S	19	66	Vienna	C	7	45
Locarno	S	11	52	Warsaw	S	5	41
London	C	7	45	Zurich	C	5	41

C—Cloudy. F—Fair. Fg—Fog. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow. † Noon GMT temperatures.

Continued from Page 1

French left

into play was the often muddled presentation of Government policy, unease over the economy and discontent in rural areas over falling profits.

The fall of the franc on the foreign exchange markets last week almost certainly had a negative effect on the Government in yesterday's vote.

The decline overall in the left-wing vote is explained both by the drop in support for the Communist Party, from which the Socialists so far have been unable to benefit and a swing back to the centre by voters who have recently supported President Mitterrand.

It seemed unlikely last night that the Socialist-led coalition could achieve its goal of gaining a majority of the presidencies of the 95 departmental assemblies.

Continued from Page 1

Laker abandons plans

"air operator's certificate." This would mean that the airline had satisfied the authority as to its fitness to fly, both in safety and technical terms as well as financial.

Brenpage possessed no aircraft and no base — the original Laker Airways maintenance base at Gatwick has already been bought from the receiver by British Caledonian. As a result no air operator's certificate could have been granted to Brenpage.

The Civil Aviation Authority said at the weekend that by the end of last week it had still not been given any details of Sir Freddie's plans, either financial or technical.

Sir Freddie's decision not to proceed, at least for the immediate future, raises the question of what will happen to the large sums donated by private individuals—"the friends of Freddie fund"—to help him get off the ground again.

This cash, believed to amount to several hundred thousand pounds, is held in a Lloyds bank account at Gatwick. It is expected to be returned to the donors as soon as possible.

Alan Friedman writes: The Orion Royal Bank, the merchant bank which had been advising on the Laker revival, said last night Sir Freddie still had hopes of starting a charter operation, possibly next winter.

Orion has been working for Sir Freddie on a non-fee basis. "We were prepared to do a certain amount of work on spec. Having been deeply and briefly involved before, we were anxious to help Sir Freddie if we could."

Continued from Page 1

Opec ceiling

budgetary requirements for the financial year just beginning.

Sheikh Yamani and Sheikh Ali Khalifa, however, seemed confident that balance could be restored by mid-year or late summer at the latest, but conceded that further recession in the economies of the industrialised countries could upset calculations.

As for the British National Oil Corporation's decision to lower the price for North Sea crude from $35 per barrel to $31, Sheikh Ali Khalifa was insistent that the price should come into line with Opec. He said: "It is for the British Government to decide whether they want to waste taxpayers' money or not."

He described BNOC's pricing system as "rigged to maximise production not profit."

U.S. may curb flights from Japan

BY LOUISE KEHOE IN SAN FRANCISCO

SANCTIONS against Japan's commercial airline, Japan Air Lines, following the failure of the two countries to reach a consensus on civil aviation rights, may be imposed this week by the U.S.

The eighth and "final" round of U.S.-Japanese aviation talks in California, ended late on Friday with no agreement.

After talks in January, the Civil Aeronautics Board (CAB) agreed to delay sanctions — which could involve cuts in JAL's services — pending further negotiations. Now the CAB must either back down or impose the threatened sanctions.

The door has been left open, however, for further talks in Washington. Mr Darrel Trent, the deputy secretary of the U.S. Department of Transportation who headed the U.S. delegation, said: "We have offered, and the Japanese have accepted, that the issue be left open for an unspecified period while we assess the situation."

This week's visit to Washington by Mr Yoshio Sakurauchi, Japan's Foreign Minister, seems to offer an opportunity for top-level talks.

"The failure of the civil aviation negotiations is widely expected to lead to the link of the aviation issue with broader bilateral trade talks.

Mr Trent said: "We wanted to expand opportunities for the carriers of both countries. The openness of the U.S. market has provided great opportunities for Japanese Airlines. A more open market in Japan with better opportunities for U.S. carriers would work to the benefit of Japan also."

The main issue has been the U.S. desire to increase its landing rights in Japan and to allow U.S. carriers "beyond rights"—to pick up passengers in Japan and fly on to further destinations.

Mr Yoshio Okawara, the Japanese ambassador to the U.S. said a major objective of the Japanese delegation was to obtain beyond rights to fly through Los Angeles to Sao Paulo in Brazil, which has a large Japanese community.

Mr Trent said that when it became clear that a wide-ranging agreement would not be reached, the U.S. delegation suggested a "mini-package" which narrowed discussions to pressing problems.

Both sides seemed close to agreement on four points:

● Increased U.S. charter flights from the U.S. to Japan.
● U.S. landing rights in Osaka.
● Landing rights for United Airlines in Tokyo.
● Additional landing rights for JAL in the U.S. at Chicago and Seattle.

But there was no agreement on the key issue of beyond rights for U.S. airlines flying into Japan.

While JAL is able to make highly-lucrative flights from several places in South-East Asia into Japan—and on to the U.S.—these potential money-spinning routes have been denied to U.S. carriers. The Japanese show no inclination to open this element of their civil aviation market to competition.

Victor Mackie writes from Ottawa: Canada is keeping all options for protective trade measures open following disappointing talks in Tokyo on limiting Japanese car imports. Mr Mark MacGuigan, minister of external affairs said over the weekend.

He was commenting on reports from Tokyo that Mr Ed Lumley, Canada's Trade Minister, heading a delegation to Tokyo, had failed to negotiate a reduction of Japanese cars exported to Canada.

Mr Lumley went to Tokyo to seek far-reaching concessions from Japan to rescue Canada's sagging automobile industry. He wanted to persuade the Japanese to reduce car exports to Canada, to increase the import of components made in Canada and to consider major plant investment in Canada.

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